

# **Yapı ve Kredi Bankası A.Ş.**

**Publicly announced unconsolidated financial statements and  
related disclosures at December 31, 2020 together with  
auditor's audit report**

**(Convenience translation of publicly announced unconsolidated financial  
statements and independent auditor's report originally issued in Turkish, See  
Note 1. of Section three)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH  
(See Note I of Section Three)  
INDEPENDENT AUDITOR’S REPORT**

**To the General Assembly of Yapı ve Kredi Bankası A.Ş.:**

**A. Audit of the Unconsolidated Financial Statements**

**1. Opinion**

We have audited the accompanying unconsolidated financial statements of Yapı ve Kredi Bankası A.Ş. (the “Bank”), which comprise the statement of unconsolidated balance sheet as at 31 December 2020, unconsolidated income statement, unconsolidated statement of income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards (“TFRS”) for those matters not regulated by the aforementioned regulations.

**2. Basis for Opinion**

Our audit was conducted in accordance with the “Regulation on Independent Audit of Banks” published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Unconsolidated Financial Statements” section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the unconsolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3. Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matters</b>	<b>How the key audit matter was addressed in the audit</b>
<p><b>Expected credit losses for loans</b></p> <p>The Bank has total expected credit losses for loans amounting to TL 23.798.323 thousand in respect to total loans amounting to TL 293.926.845 thousand which represent a significant portion of the Bank’s total assets in its unconsolidated financial statements as at 31 December 2020. Explanations and notes related to expected credit losses for loans and receivables are presented in Section Three Part 7.3 and 8, Section Four Part 2, Section Four Part 3.3, Section Five Part 1.7 in the accompanying unconsolidated financial statements as at 31 December 2020.</p> <p>The Bank recognizes provision for impairment in accordance with “IFRS 9 Financial Instruments” (“IFRS 9”) requirements and the “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided” as published in the Official Gazette dated 22 June 2016 numbered 29750. The Bank exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The effects related to COVID-19 pandemic increased the importance of these estimates and assumptions used by the Bank's management in determining the expected credit loss provisions for loans as of 31 December 2020, and the uncertainties caused by these effects were taken into account in the calculation of expected credit loss as presented in the Part 7.3 and 8 of the Third Section, by using expert opinion. The Bank determines stage classification of loans within the framework of applicable regulations by identifying significant increase in credit risk with quantitative and qualitative assessments disclosed in Section Three Part 8 in the accompanying unconsolidated financial statements and default events disclosed in Section Four Part 2 in the accompanying unconsolidated financial statements.</p>	<p>With respect to stage classification of loans and calculation of expected credit losses, we have assessed policy, procedure and management principles of the Bank including COVID-19 effects within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p>We checked appropriateness of matters considered in methodology applied by the Bank with IFRS 9 for calculation of the provision amount through stage classification of loans. For forward looking assumptions made by the Bank’s management in its expected credit losses calculations including the effects of the COVID-19 pandemic, we held discussions with management and evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following:</p> <ul style="list-style-type: none"> <li>• Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used.</li> <li>• We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis.</li> <li>• For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations.</li> </ul>

<b>Key Audit Matters</b>	<b>How the key audit matter was addressed in the audit</b>
<p><b>Expected credit losses for loans (Continued)</b></p> <p>The Bank uses complex models that requires data to be derived from multiple systems for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<ul style="list-style-type: none"> <li>• We checked the calculation of the Loss Given Default (LGD) used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations.</li> <li>• For a selected sample, we checked expected credit losses determined based on individual assessment per Bank's policy by means of supporting data, and evaluated appropriateness including areas affected by uncertainties caused by COVID-19 via communications with management.</li> <li>• We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists.</li> <li>• We checked accuracy of resultant expected credit losses calculations.</li> <li>• To assess appropriateness of the Bank's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample.</li> <li>• We evaluated the adequacy of the disclosures made in the unconsolidated financial statements regarding the provision for impairment of loans.</li> </ul>

<b>Key Audit Matters</b>	<b>How the key audit matter was addressed in the audit</b>
<p><b>Valuation of Pension Fund obligations</b></p> <p>The Bank has booked provision amounting to TL 1.461.542 for Pension Fund Liabilities in the accompanying unconsolidated financial statements as at 31 December 2020. Explanations on Valuation of Pension Obligations are presented in the section five part 2.6.3 in the accompanying unconsolidated financial statements.</p> <p>Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The President is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions.</p> <p>The Bank's management uses external actuaries for the purpose of valuations of Pension Fund obligations.</p> <p>During our audit, above mentioned fundamental assumption and estimates used in calculations of Pension Fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.</p>	<p>Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.</p> <p>We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes.</p> <p>Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p>

#### **4. Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements**

The Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

#### **5. Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **B. Other Responsibilities Arising From Regulatory Requirements**

- 1 No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.
- 2 In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

### **Additional Paragraph for Convenience Translation**

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Halûk Yalçın, SMMM  
Partner

Istanbul, 3 February 2021



**Convenience translation of publicly announced unconsolidated financial statements and audit report  
originally issued in Turkish, See Note I. of Section three**

**THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF  
YAPI VE KREDİ BANKASI A.Ş. AS OF DECEMBER 31, 2020**

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The unconsolidated financial report for the year end which is prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- **GENERAL INFORMATION ABOUT THE BANK**
- **UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK**
- **EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD**
- **INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK**
- **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**
- **OTHER EXPLANATIONS**
- **INDEPENDENT AUDITOR’S REPORT**

The accompanying unconsolidated financial statements for the year end and notes to these financial statements which are expressed, in **thousands of Turkish Lira** (unless otherwise stated), have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been independently audited and are presented enclosed.

**Y. Ali KOÇ**  
Chairman of the  
Board of Directors

**Gökhan ERÜN**  
Executive Director and  
CEO

**Demir KARAASLAN**  
Chief Financial Officer

**B. Seda İKİZLER**  
Financial Reporting and  
Accounting Executive  
Vice President

**Dr.Ahmet ÇİMENÖĞLU**  
Chairman of Audit  
Committee

**Nevin İPEK**  
Member of Audit  
Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

**Name-Surname / Title** : Cengiz TİMURÖĞLU / Balance Sheet Management and Financial Analysis Manager  
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**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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**Section one - General Information**

**1. History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any:**

Yapı ve Kredi Bankası A.Ş. ("the Bank" or "Yapı Kredi"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

**2. Explanations about the Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank:**

Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987. As of December 31, 2020, 30,03% of the shares of the Bank are publicly traded (December 31, 2019 - 18,10%). 40,95% of the shares out of the remaining 69,97% is owned by Koç Finansal Hizmetler A.Ş. ("KFS") which is owned by Koç Group, 9,02% is owned by Koç Group and 20,00% is owned by UniCredit ("UCG").

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Bank increased to 81,80%. KFS shares increased to 81,90% with the capital increase by TL 4,1 billion in 2018.

As of November 30,2019, Koç Group and UCG have reached a deal to exchange their shares in the Bank and KFS.

Accordingly all the shares of KFS, which is currently a joint venture, are transferred to Koç Group. Besides, after the shares are transferred, KFS will hold 40.95%, UCG will hold 31,93% directly and Koç Group will hold a total of 49.99% directly and indirectly of the Bank shares and become controlling shareholder.

In addition, as of February 6, 2020, UniCredit also announced the placement of an 11.93% shares in Bank to institutional investors. The transaction has been completed on February 13, 2020. As a result UCG holds directly 20,00% of the Bank shares.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:**

As of December 31, 2020, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

**Board of Directors Members:**

<b>Name</b>	<b>Responsibility</b>
Y. Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
A. Ümit TAFTALI	Member
Ahmet ÇİMENÖĞLU	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
Nevin İPEK	Independent Member
Niccolò UBERTALLI	Member
Virma SÖKMEN	Independent Member
Wolfgang SCHILK	Member

**Audit Committee Members:**

<b>Name</b>	<b>Responsibility</b>
Ahmet ÇİMENÖĞLU	Chairman
Nevin İPEK	Member

**General Manager:**

<b>Name</b>	<b>Responsibility</b>
Gökhan ERÜN	Executive Director and CEO

**Assistant General Managers:**

<b>Name</b>	<b>Responsibility</b>
Abdullah GEÇER	Internal Audit
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Financial Planning and Administration Management
Erhan ADALI	Corporate and Commercial Banking Management
Hakan ALP	Human Resources, Organization and Internal Services Management
Mehmet Erkan ÖZDEMİR	Compliance, Internal Control and Risk Management / Consumer Relations Coordination Officer
Nurgün EYÜBOĞLU	Credit Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**4. Information on the individual and corporate shareholders having control shares of the Bank:**

<b>Name/Commercial title</b>	<b>Share amounts (nominal)</b>	<b>Share percentage</b>	<b>Paid-in capital (nominal)</b>	<b>Unpaid portion</b>
Koç Finansal Hizmetler A.Ş.	3.459.065.642,23	40,95	3.459.065.642,23	-
Koç Group	762.197.343,00	9,02	762.197.343,00	-
UniCredit	1.689.410.260,00	20,00	1.689.410.260,00	-

Koç Finansal Hizmetler A.Ş. is managed of Koç Group, and Temel Ticaret ve Yatırım A.Ş.

As of December 31,2019, 81,90% shares of the Bank was owned by Koç Finansal Hizmetler A.Ş. which was a joint venture of Koç Group and Temel Ticaret ve Yatırım A.Ş.

**5. Summary information on the Bank's activities and service types:**

The Bank's activities summarized from the section 3 of the articles of association are as follows.

The Bank's purpose and subject matter, in accordance with the Banking Law, regulations and existing laws, include;

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2020, the Bank has 834 branches operating in Turkey and 1 branch in overseas (December 31, 2019 - 845 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2020, the Bank has 16.037 employees (December 31, 2019 - 16.631 employees).

**6. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:**

According to Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., Yapı Kredi Teknoloji A.Ş. and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

**7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:**

None.

**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2020 and 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Section two - Unconsolidated financial statements****1. Balance sheet (Statement of Financial Position)**

ASSET	Note (Section five)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>39.466.962</b>	<b>59.696.272</b>	<b>99.163.234</b>	<b>43.032.619</b>	<b>63.444.432</b>	<b>106.477.051</b>
<b>1.1 Cash and Cash Equivalents</b>	<b>1.1</b>	<b>15.450.934</b>	<b>52.235.063</b>	<b>67.685.997</b>	<b>16.458.254</b>	<b>58.011.660</b>	<b>74.469.914</b>
1.1.1 Cash and Balances with Central Bank		10.500.064	44.527.408	55.027.472	2.488.489	38.861.487	41.349.976
1.1.2 Banks	1.4	3.277.545	7.786.582	11.064.127	3.296.463	19.242.802	22.539.265
1.1.3 Money Markets	1.4.3	1.700.842	-	1.700.842	10.703.351	-	10.703.351
1.1.4 Provisions for Expected Losses (-)		27.517	78.927	106.444	30.049	92.629	122.678
<b>Financial assets where fair value change is reflected to income statement</b>	<b>1.2</b>	<b>334.865</b>	<b>663.685</b>	<b>998.550</b>	<b>224.804</b>	<b>342.600</b>	<b>567.404</b>
<b>1.2</b>							
1.2.1 Government debt securities		106.399	170.315	276.714	20.754	73.116	93.870
1.2.2 Share certificates		228.446	-	228.446	199.053	-	199.053
1.2.3 Other financial assets		20	493.370	493.390	4.997	269.484	274.481
<b>Financial assets where fair value change is reflected to other comprehensive income statement</b>	<b>1.5,1.6</b>	<b>19.707.924</b>	<b>5.156.243</b>	<b>24.864.167</b>	<b>22.721.128</b>	<b>3.970.178</b>	<b>26.691.306</b>
<b>1.3</b>							
1.3.1 Government debt securities		19.689.965	3.203.038	22.893.003	22.710.089	1.923.370	24.633.459
1.3.2 Share certificates		17.959	3.494	21.453	11.039	2.580	13.619
1.3.3 Other financial assets		-	1.949.711	1.949.711	-	2.044.228	2.044.228
<b>1.4 Derivative Financial Assets</b>	<b>1.3</b>	<b>3.973.239</b>	<b>1.641.281</b>	<b>5.614.520</b>	<b>3.628.433</b>	<b>1.119.994</b>	<b>4.748.427</b>
1.4.1 Derivative financial assets where fair value change is reflected to income statement		3.426.581	1.641.281	5.067.862	3.373.746	1.077.555	4.451.307
1.4.2 Derivative financial assets where fair value change is reflected to other comprehensive income statement		546.658	-	546.658	254.687	42.439	297.126
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>199.983.805</b>	<b>120.774.513</b>	<b>320.758.318</b>	<b>155.567.644</b>	<b>96.489.507</b>	<b>252.057.151</b>
<b>2.1 Loans</b>	<b>1.7</b>	<b>186.414.212</b>	<b>106.811.212</b>	<b>293.225.424</b>	<b>150.539.562</b>	<b>89.924.281</b>	<b>240.463.843</b>
<b>2.2 Receivables From Leasing Transactions (Net)</b>	<b>1.12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.3 Factoring Receivables</b>		<b>701.421</b>	<b>-</b>	<b>701.421</b>	<b>647.401</b>	<b>-</b>	<b>647.401</b>
<b>2.4 Financial Assets Measured at Amortised Cost</b>	<b>1.8</b>	<b>30.863.534</b>	<b>19.878.378</b>	<b>50.741.912</b>	<b>17.970.624</b>	<b>10.335.035</b>	<b>28.305.659</b>
2.4.1 Government debt securities		30.532.730	19.878.378	50.411.108	17.639.820	10.335.035	27.974.855
2.4.2 Other financial assets		330.804	-	330.804	330.804	-	330.804
<b>2.5 Provisions for Expected Losses (-)</b>		<b>17.995.362</b>	<b>5.915.077</b>	<b>23.910.439</b>	<b>13.589.943</b>	<b>3.769.809</b>	<b>17.359.752</b>
<b>ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>1.15</b>	<b>709.869</b>	<b>-</b>	<b>709.869</b>	<b>320.059</b>	<b>-</b>	<b>320.059</b>
3.1 Held for Sale Purposes		709.869	-	709.869	320.059	-	320.059
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>4.207.346</b>	<b>5.849.369</b>	<b>10.056.715</b>	<b>3.595.273</b>	<b>4.231.653</b>	<b>7.826.926</b>
<b>IV. INVESTMENTS IN ASSOCIATES (net)</b>	<b>1.9</b>	<b>11.786</b>	<b>1.203.097</b>	<b>1.214.883</b>	<b>6.101</b>	<b>902.257</b>	<b>908.358</b>
4.1.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated		11.786	1.203.097	1.214.883	6.101	902.257	908.358
<b>4.2 Subsidiaries (Net)</b>	<b>1.10</b>	<b>4.172.686</b>	<b>4.646.272</b>	<b>8.818.958</b>	<b>3.566.857</b>	<b>3.329.396</b>	<b>6.896.253</b>
4.2.1 Unconsolidated Financial Subsidiaries		4.165.386	4.646.272	8.811.658	3.559.557	3.329.396	6.888.953
4.2.2 Unconsolidated Non-Financial Subsidiaries		7.300	-	7.300	7.300	-	7.300
<b>4.3 Joint Ventures (Net)</b>	<b>1.11</b>	<b>22.874</b>	<b>-</b>	<b>22.874</b>	<b>22.315</b>	<b>-</b>	<b>22.315</b>
4.3.1 Consolidated based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated		22.874	-	22.874	22.315	-	22.315
<b>V. PROPERTY AND EQUIPMENT (Net)</b>	<b>1.13</b>	<b>4.474.095</b>	<b>-</b>	<b>4.474.095</b>	<b>4.281.326</b>	<b>-</b>	<b>4.281.326</b>
<b>VI. INTANGIBLE ASSETS [Net]</b>	<b>1.14</b>	<b>1.916.463</b>	<b>-</b>	<b>1.916.463</b>	<b>1.845.101</b>	<b>-</b>	<b>1.845.101</b>
6.1 Goodwill		979.493	-	979.493	979.493	-	979.493
6.2 Other		936.970	-	936.970	865.608	-	865.608
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>1.15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	<b>1.16</b>	<b>3.563.486</b>	<b>-</b>	<b>3.563.486</b>	<b>1.980.629</b>	<b>-</b>	<b>1.980.629</b>
<b>X. OTHER ASSETS</b>	<b>1.18</b>	<b>3.908.047</b>	<b>15.143.831</b>	<b>19.051.878</b>	<b>2.723.577</b>	<b>9.984.007</b>	<b>12.707.584</b>
<b>TOTAL ASSETS</b>		<b>258.230.073</b>	<b>201.463.985</b>	<b>459.694.058</b>	<b>213.346.228</b>	<b>174.149.599</b>	<b>387.495.827</b>

The accompanying explanations and notes form an integral part of these financial statements.

**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2020 and 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**1. Balance sheet (Statement of Financial Position)**

LIABILITIES	Note (Section five)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	<b>2.1</b>	<b>108.322.127</b>	<b>145.958.029</b>	<b>254.280.156</b>	<b>103.168.839</b>	<b>119.621.279</b>	<b>222.790.118</b>
<b>II. BORROWINGS</b>	<b>2.3.1</b>	<b>743.762</b>	<b>37.536.677</b>	<b>38.280.439</b>	<b>475.135</b>	<b>37.635.407</b>	<b>38.110.542</b>
<b>III. MONEY MARKETS</b>		<b>25.128.184</b>	<b>2.577.154</b>	<b>27.705.338</b>	<b>2.936.526</b>	<b>759.218</b>	<b>3.695.744</b>
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	<b>2.3.4</b>	<b>5.234.462</b>	<b>15.282.960</b>	<b>20.517.422</b>	<b>5.912.191</b>	<b>14.791.500</b>	<b>20.703.691</b>
4.1 Bills		3.623.981	-	3.623.981	4.270.096	-	4.270.096
4.2 Asset backed Securities		-	-	-	-	-	-
4.3 Bonds		1.610.481	15.282.960	16.893.441	1.642.095	14.791.500	16.433.595
<b>V. FUNDS</b>		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS</b>	<b>2.3.3.2</b>	<b>806.619</b>	<b>12.081.212</b>	<b>12.887.831</b>	<b>830.929</b>	<b>12.353.676</b>	<b>13.184.605</b>
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	<b>2.2</b>	<b>7.563.486</b>	<b>3.020.704</b>	<b>10.584.190</b>	<b>5.542.718</b>	<b>1.533.715</b>	<b>7.076.433</b>
7.1 Derivative Liabilities at Fair Value Through Profit and Loss		5.981.998	1.979.264	7.961.262	2.963.527	1.221.739	4.185.266
7.2 Profit		1.581.488	1.041.440	2.622.928	2.579.191	311.976	2.891.167
<b>VIII. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX. LEASE PAYABLES (Net)</b>	<b>2.5</b>	<b>1.066.532</b>	<b>9.695</b>	<b>1.076.227</b>	<b>890.604</b>	<b>8.501</b>	<b>899.105</b>
<b>X. PROVISIONS</b>	<b>2.6</b>	<b>3.951.179</b>	<b>417.357</b>	<b>4.368.536</b>	<b>3.357.745</b>	<b>262.436</b>	<b>3.620.181</b>
10.1 Provisions for Restructuring		-	-	-	-	-	-
10.2 Provisions for Employee Rights		804.128	-	804.128	753.110	-	753.110
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		3.147.051	417.357	3.564.408	2.604.635	262.436	2.867.071
<b>XI. CURRENT TAX LIABILITIES</b>	<b>2.7</b>	<b>1.920.873</b>	-	<b>1.920.873</b>	<b>838.765</b>	-	<b>838.765</b>
<b>XII. DEFERRED TAX LIABILITIES</b>		-	-	-	-	-	-
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>2.8</b>	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT</b>	<b>2.9</b>	<b>838.459</b>	<b>21.816.595</b>	<b>22.655.054</b>	<b>821.340</b>	<b>17.758.699</b>	<b>18.580.039</b>
14.1 Loans		-	6.305.871	6.305.871	-	5.102.941	5.102.941
14.2 Other Facilities		838.459	15.510.724	16.349.183	821.340	12.655.758	13.477.098
<b>XV. OTHER LIABILITIES</b>	<b>2.4</b>	<b>16.522.539</b>	<b>1.330.982</b>	<b>17.853.521</b>	<b>15.269.130</b>	<b>1.539.820</b>	<b>16.808.950</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>2.10</b>	<b>44.042.839</b>	<b>3.521.632</b>	<b>47.564.471</b>	<b>38.553.457</b>	<b>2.634.197</b>	<b>41.187.654</b>
16.1 Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2 Capital Reserves		2.007.489	-	2.007.489	1.998.636	-	1.998.636
16.2.1 Share premium		556.937	-	556.937	556.937	-	556.937
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.450.552	-	1.450.552	1.441.699	-	1.441.699
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		2.230.784	436.694	2.667.478	2.343.632	436.694	2.780.326
16.3 Other accumulated comprehensive income that will be reclassified in profit or loss		(1.930.320)	3.084.938	1.154.618	(2.472.669)	2.197.503	(275.166)
16.5 Profit Reserves		28.208.317	-	28.208.317	24.636.747	-	24.636.747
16.5.1 Legal Reserves		1.282.785	-	1.282.785	1.102.781	-	1.102.781
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		26.925.454	-	26.925.454	23.533.272	-	23.533.272
16.5.4 Other Profit Reserves		78	-	78	694	-	694
16.6 Profit or loss		5.079.518	-	5.079.518	3.600.060	-	3.600.060
16.6.1 Prior years' profits or losses		-	-	-	-	-	-
16.6.2 Current period net profit or loss		5.079.518	-	5.079.518	3.600.060	-	3.600.060
<b>TOTAL LIABILITIES</b>		<b>216.141.061</b>	<b>243.552.997</b>	<b>459.694.058</b>	<b>178.597.379</b>	<b>208.898.448</b>	<b>387.495.827</b>

The accompanying explanations and notes form an integral part of these financial statements.

## Yapı ve Kredi Bankası A.Ş.

## Unconsolidated financial statements as of December 31, 2020 and 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

## 2. Off-balance sheet commitments

Off-balance sheet commitments	Note (Section five)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
<b>A. Off-balance sheet commitments (I+II+III)</b>		<b>259.441.518</b>	<b>394.890.440</b>	<b>654.331.958</b>	<b>242.425.428</b>	<b>389.469.757</b>	<b>631.895.185</b>
<b>I. Guarantees and warranties</b>	<b>3.1.2.1.2</b>	<b>32.562.747</b>	<b>68.664.534</b>	<b>101.227.281</b>	<b>27.023.766</b>	<b>63.090.951</b>	<b>90.114.717</b>
1.1. Letters of guarantee	3.1.2.2	32.043.714	49.951.728	81.995.442	26.894.174	42.807.332	69.701.506
1.1.1. Guarantees subject to state tender law		545.671	641.351	1.187.022	367.229	604.813	972.042
1.1.2. Guarantees given for foreign trade operations		5.380.758	49.310.377	54.691.135	4.095.773	42.202.519	46.298.292
1.1.3. Other letters of guarantee		26.117.285	-	26.117.285	22.431.172	-	22.431.172
1.2. Bank acceptances		-	238.025	238.025	-	156.431	156.431
1.2.1. Import letter of acceptance		-	238.025	238.025	-	156.431	156.431
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		37.184	8.974.338	9.011.522	77.354	12.266.506	12.343.860
1.3.1. Documentary letters of credit		37.184	8.974.338	9.011.522	77.354	12.266.506	12.343.860
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		481.849	4.613.529	5.095.378	52.238	3.781.228	3.833.466
1.9. Other warranties		-	4.886.914	4.886.914	-	4.079.454	4.079.454
<b>II. Commitments</b>		<b>81.424.789</b>	<b>32.831.632</b>	<b>114.256.421</b>	<b>70.587.105</b>	<b>24.339.036</b>	<b>94.926.141</b>
2.1. Irrevocable commitments	3.1.1	79.209.005	13.218.499	92.427.504	65.878.662	7.437.359	73.316.021
2.1.1. Asset purchase and sale commitments		2.905.074	11.632.591	14.537.665	1.494.732	6.254.891	7.749.623
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		17.187.740	788.342	17.976.082	12.708.914	960.251	13.669.165
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve requirements		-	-	-	-	-	-
2.1.7. Commitments for checks payments		3.437.866	-	3.437.866	3.389.714	-	3.389.714
2.1.8. Tax and fund liabilities from export commitments		6.476	-	6.476	4.074	-	4.074
2.1.9. Commitments for credit card expenditure limits		48.016.964	-	48.016.964	41.380.895	-	41.380.895
2.1.10. Commitments for credit cards and banking services promotions		51.868	-	51.868	30.190	-	30.190
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		7.603.017	797.566	8.400.583	6.870.143	222.217	7.092.360
2.2. Revocable commitments		2.215.784	19.613.133	21.828.917	4.708.443	16.901.677	21.610.120
2.2.1. Revocable loan granting commitments		2.215.784	19.613.133	21.828.917	4.708.443	16.901.677	21.610.120
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>145.453.982</b>	<b>293.394.274</b>	<b>438.848.256</b>	<b>144.814.557</b>	<b>302.039.770</b>	<b>446.854.327</b>
3.1. Derivative financial instruments held for hedging		43.572.841	51.075.652	94.648.493	49.887.738	53.105.895	102.993.633
3.1.1. Fair value hedges		270.141	3.071.548	3.341.689	470.141	2.941.839	3.411.980
3.1.2. Cash flow hedges		43.302.700	48.004.104	91.306.804	49.417.597	50.164.056	99.581.653
3.1.3. Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2. Trading transactions		101.881.141	242.318.622	344.199.763	94.926.819	248.933.875	343.860.694
3.2.1. Forward foreign currency purchase and sale transactions		6.888.256	9.202.912	16.091.168	8.036.269	17.700.404	25.736.673
3.2.1.1. Forward foreign currency purchase transactions		4.448.705	3.826.597	8.275.302	3.307.157	9.627.478	12.934.635
3.2.1.2. Forward foreign currency sale transactions		2.439.551	5.376.315	7.815.866	4.729.112	8.072.926	12.802.038
3.2.2. Currency and interest rate swaps		87.718.704	186.256.071	273.974.775	81.329.613	196.767.306	278.096.919
3.2.2.1. Currency swap purchase transactions		4.295.544	59.534.640	63.830.184	10.892.454	70.454.795	81.347.249
3.2.2.2. Currency swap sale transactions		46.573.260	20.622.433	67.195.693	38.687.159	42.840.355	81.527.514
3.2.2.3. Interest rate swap purchase transactions		18.424.950	53.049.499	71.474.449	15.875.000	41.736.078	57.611.078
3.2.2.4. Interest rate swap sale transactions		18.424.950	53.049.499	71.474.449	15.875.000	41.736.078	57.611.078
3.2.3. Currency, interest rate and securities options		1.575.674	12.640.133	14.215.807	3.741.319	8.349.687	12.091.006
3.2.3.1. Currency purchase options		531.763	4.198.665	4.730.428	2.043.723	2.136.917	4.180.640
3.2.3.2. Currency sale options		324.741	4.555.975	4.880.716	1.497.596	2.736.368	4.233.964
3.2.3.3. Interest rate purchase options		300.000	3.372.515	3.672.515	100.000	2.584.853	2.684.853
3.2.3.4. Interest rate sale options		419.170	512.978	932.148	100.000	891.549	991.549
3.2.3.5. Securities purchase options		-	-	-	-	-	-
3.2.3.6. Securities sale options		-	-	-	-	-	-
3.2.4. Currency futures		212.403	201.864	414.267	199.618	198.789	398.407
3.2.4.1. Currency purchase futures		-	201.864	201.864	199.618	-	199.618
3.2.4.2. Currency sale futures		212.403	-	212.403	-	198.789	198.789
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate purchase futures		-	-	-	-	-	-
3.2.5.2. Interest rate sale futures		-	-	-	-	-	-
3.2.6. Other		5.486.104	34.017.642	39.503.746	1.620.000	25.917.689	27.537.689
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>531.392.413</b>	<b>176.009.181</b>	<b>707.401.594</b>	<b>477.878.718</b>	<b>107.685.079</b>	<b>585.563.797</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>63.730.107</b>	<b>11.392.380</b>	<b>75.122.487</b>	<b>55.915.064</b>	<b>6.979.408</b>	<b>62.894.472</b>
4.1. Assets under management		33.024.406	825.231	33.849.637	14.733.918	943.333	15.677.251
4.2. Securities held in custody		5.832.697	10.057.701	15.890.398	17.188.108	5.369.712	22.557.820
4.3. Checks received for collection		19.104.894	29.949	19.134.843	17.168.474	59.047	17.227.521
4.4. Commercial notes received for collection		5.709.966	360.665	6.070.631	6.766.420	518.018	7.284.438
4.5. Other assets received for collection		-	95.112	95.112	-	71.180	71.180
4.6. Securities received for public offering		-	-	-	-	-	-
4.7. Other items under custody		58.144	23.722	81.866	58.144	18.118	76.262
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>437.496.682</b>	<b>146.057.568</b>	<b>583.554.250</b>	<b>395.405.815</b>	<b>89.063.878</b>	<b>484.469.693</b>
5.1. Marketable securities		824.223	814	825.037	831.183	659	831.842
5.2. Guarantee notes		585.521	365.529	951.050	720.000	278.319	998.319
5.3. Commodity		6.297	-	6.297	6.946	-	6.946
5.4. Warrant		-	-	-	-	-	-
5.5. Immovables		144.638.689	32.338.527	176.977.216	140.794.432	36.287.424	177.081.856
5.6. Other pledged items		291.441.952	113.339.435	404.781.387	253.053.254	52.486.841	305.540.095
5.7. Depositories receiving pledged items		-	13.263	13.263	-	10.635	10.635
<b>VI. ACCEPTED GUARANTEES AND WARRANTS</b>		<b>30.165.624</b>	<b>18.559.233</b>	<b>48.724.857</b>	<b>26.557.839</b>	<b>11.641.793</b>	<b>38.199.632</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS)</b>		<b>790.833.931</b>	<b>570.899.621</b>	<b>1.361.733.552</b>	<b>720.304.146</b>	<b>497.154.836</b>	<b>1.217.458.982</b>

The accompanying explanations and notes form an integral part of these financial statements.



**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2020 and 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**3. Statements of Profit or Loss**

Income and expense items		Note (Section five)	Current Period (01/01/2020 - 31/12/2020)	Prior Period (01/01/2019 - 31/12/2019)
<b>I.</b>	<b>INTEREST INCOME</b>	<b>4.1</b>	<b>33.088.591</b>	<b>35.703.082</b>
1.1	Interest on Loans	4.1.1	25.308.113	28.489.781
1.2	Interest received from reserve deposits		53.947	375.844
1.3	Interest Received from Banks	4.1.2	444.796	900.441
1.4	Interest Received from Money Market Transactions		125.990	515.907
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	7.109.522	5.395.946
1.5.1	Financial Assets at Fair Value Through Profit and Loss		14.246	12.299
1.5.2	Financial Assets at Fair Value Through Other Comprehensive income		2.999.069	3.108.869
1.5.3	Financial assets measured at amortised cost		4.096.207	2.274.778
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		46.223	25.163
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>4.2</b>	<b>16.111.790</b>	<b>20.927.360</b>
2.1	Interest on Deposits	4.2.4	8.804.130	15.382.785
2.2	Interest on Funds Borrowed	4.2.1	2.039.363	2.242.555
2.3	Interest expense on money market transactions		1.297.788	187.992
2.4	Interest on Securities Issued	4.2.3	3.405.629	2.902.669
2.5	Interest on Lease Payables		163.318	162.347
2.6	Other Interest Expense		401.562	49.012
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>16.976.801</b>	<b>14.775.722</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>5.246.814</b>	<b>5.286.993</b>
4.1	Fees and Commissions Received		6.494.019	7.077.075
4.1.1	Non-cash Loans		1.019.993	1.059.638
4.1.2	Other		5.474.026	6.017.437
4.2	Fees and Commissions Paid		1.247.205	1.790.082
4.2.1	Non-cash Loans		630	340
4.2.2	Other		1.246.575	1.789.742
<b>V</b>	<b>DIVIDEND INCOME</b>	<b>4.3</b>	<b>3.016</b>	<b>9.310</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>4.4</b>	<b>256.810</b>	<b>(1.884.879)</b>
6.1	Trading Gains/Losses on Securities		408.588	271.662
6.2	Derivative Financial Transactions Gains/Losses	4.6	1.688.317	(905.387)
6.3	Foreign Exchange Gains/Losses		(1.840.095)	(1.251.154)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>4.7</b>	<b>1.563.487</b>	<b>1.428.469</b>
<b>VIII.</b>	<b>GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>		<b>24.046.928</b>	<b>19.615.615</b>
<b>IX.</b>	<b>PROVISION FOR EXPECTED LOSSES (-)</b>	<b>4.5</b>	<b>9.490.527</b>	<b>8.772.277</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	<b>4.5</b>	<b>463.611</b>	<b>40.975</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>3.576.234</b>	<b>3.149.323</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>4.8</b>	<b>4.848.220</b>	<b>4.095.034</b>
<b>XIII.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>5.668.336</b>	<b>3.558.006</b>
<b>XIV.</b>	<b>SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-
<b>XV.</b>	<b>PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>883.639</b>	<b>780.930</b>
<b>XVI.</b>	<b>NET MONETARY POSITION GAIN/LOSS)</b>		-	-
<b>XVII.</b>	<b>PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)</b>	<b>4.9</b>	<b>6.551.975</b>	<b>4.338.936</b>
<b>XVIII.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>4.10</b>	<b>1.472.457</b>	<b>738.876</b>
18.1	Current Tax Provision		3.111.457	1.623.617
18.2	Expense effect of deferred tax (+)		-	-
18.3	Income effect of deferred tax (-)		1.639.000	884.741
<b>XIX.</b>	<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>		<b>5.079.518</b>	<b>3.600.060</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
<b>XXII.</b>	<b>PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX - XXI)</b>		-	-
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
<b>XXIV.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-
<b>XXV.</b>	<b>NET PROFIT/LOSS (XIX+XXIV)</b>	<b>4.11</b>	<b>5.079.518</b>	<b>3.600.060</b>
	Earnings/(loss) per share (full TL)		0,0060	0,0043

The accompanying explanations and notes form an integral part of these financial statements.

**Yapı ve Kredi Bankası A.Ş.**

**Unconsolidated financial statements as of December 31, 2020 and 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**4. Statement of Profit or Loss and Other Comprehensive Income**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>(31/12/2020)</b>	<b>(31/12/2019)</b>
<b>I. PROFIT/(LOSS)</b>	<b>5.079.518</b>	<b>3.600.060</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>1.291.613</b>	<b>(1.418.667)</b>
<b>2.1 Other comprehensive income that will not be reclassified to profit or loss</b>	<b>(112.848)</b>	<b>(24.660)</b>
2.1.1 Gains (losses) on Revaluation of Property, Plant and Equipment	389	14.291
2.1.2 Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3 Gains (losses) on remeasurements of defined benefit plans	(125.833)	(66.003)
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	(842)	13.925
2.1.5 Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	13.438	13.127
<b>2.2 Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>1.404.461</b>	<b>(1.394.007)</b>
2.2.1 Exchange Differences on Translation	1.480.998	425.259
2.2.2 Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	423.422	2.052.651
2.2.3 Income (loss) Related with Cash Flow Hedges	654.339	(4.110.380)
2.2.4 Income (loss) Related with Hedges of Net Investments in Foreign Operations	(1.084.717)	(274.663)
2.2.5 Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6 Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(69.581)	513.126
<b>III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>6.371.131</b>	<b>2.181.393</b>

The accompanying explanations and notes form an integral part of these financial statements.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Unconsolidated financial statements as of December 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### 5. Statement of changes in shareholders' equity

Current Period (31/12/2020)					Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income			Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total shareholders' equity
	CHANGES IN SHAREHOLDER'S EQUITY				That Will Not Be Reclassified In Profit and Loss			That Will Be Reclassified In Profit and Loss						
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3	4	5	6				
I. Balance at the beginning of the period	8.447.051	556.937	-	1.441.699	1.858.419	(269.552)	1.191.459	2.492.776	(146.942)	(2.621.000)	24.636.747	-	3.600.060	41.187.654
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.441.699	1.858.419	(269.552)	1.191.459	2.492.776	(146.942)	(2.621.000)	24.636.747	-	3.600.060	41.187.654
IV. Total comprehensive income (loss)	-	-	-	-	(4.428)	(107.578)	(842)	1.480.998	334.971	(411.508)	-	-	5.079.518	6.371.131
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	6.302	-	-	-	-	25.323	-	(25.939)	-	-	5.686
XI. Profit distribution	-	-	-	2.551	-	-	-	-	-	-	3.597.509	-	(3.600.060)	-
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	2.551	-	-	-	-	-	-	3.597.509	-	(3.600.060)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.450.552	1.853.991	(377.130)	1.190.617	3.973.774	213.352	(3.032.508)	28.208.317	-	5.079.518	47.564.471

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss
4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

The accompanying explanations and notes form an integral part of these financial statements.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Unconsolidated financial statements as of December 31, 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### 5. Statement of changes in shareholders' equity

CHANGES IN SHAREHOLDER'S EQUITY	Prior Period (31/12/2019)				Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income			Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total shareholders' equity
	Paid-in capital	Share premium	Share certificate cancellation profits	Other capital reserves	That Will Not Be Reclassified In Profit and Loss			That Will Be Reclassified In Profit and Loss						
					1	2	3	4	5	6				
I. Balance at the beginning of the period	8.447.051	556.937	-	1.438.556	1.845.522	(218.070)	1.177.534	2.067.517	(1.748.010)	799.334	19.969.702	-	4.667.426	39.003.499
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.438.556	1.845.522	(218.070)	1.177.534	2.067.517	(1.748.010)	799.334	19.969.702	-	4.667.426	39.003.499
IV. Total comprehensive income (loss)	-	-	-	-	12.897	(51.482)	13.925	425.259	1.601.068	(3.420.334)	-	-	3.600.060	2.181.393
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	3.143	-	-	-	-	-	-	(381)	-	-	2.762
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	4.667.426	-	(4.667.426)	-
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	4.667.426	-	(4.667.426)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.441.699	1.858.419	(269.552)	1.191.459	2.492.776	(146.942)	(2.621.000)	24.636.747	-	3.600.060	41.187.654

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss
4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

The accompanying explanations and notes form an integral part of these financial statements.

**Yapı ve Kredi Bankası A.Ş.****Unconsolidated financial statements as of December 31, 2020 and 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**6. Statement of cash flows**

	(Notes section five)	Current Period (31/12/2020)	Prior Period (31/12/2019)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>17.996.655</b>	<b>14.278.156</b>
1.1.1 Interest received		29.858.787	33.704.929
1.1.2 Interest paid		(15.976.525)	(20.658.897)
1.1.3 Dividend received		142.706	192.456
1.1.4 Fees and commissions received		6.494.019	7.077.075
1.1.5 Other income		4.675.520	635.729
1.1.6 Collections from previously written-off loans and other receivables		2.006.062	1.762.544
1.1.7 Cash Payments to personnel and service suppliers		(7.497.766)	(6.502.519)
1.1.8 Taxes paid		(2.252.349)	(2.195.229)
1.1.9 Other	6.3	546.201	262.068
<b>1.2 Changes in operating assets and liabilities subject to banking operations</b>		<b>(30.424.791)</b>	<b>4.219.397</b>
1.2.1 Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(117.463)	(325.426)
1.2.2 Net (increase) decrease in due from banks		(26.440.539)	(4.153.527)
1.2.3 Net (increase) decrease in loans		(58.450.266)	(22.697.738)
1.2.4 Net (increase) decrease in other assets		(7.821.740)	(4.558.102)
1.2.5 Net increase (decrease) in bank deposits		518.592	(4.544.683)
1.2.6 Net increase (decrease) in other deposits		31.142.721	25.302.527
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss		387.559	5.441.860
1.2.8 Net increase (decrease) in funds borrowed		29.151.525	5.675.742
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	6.3	1.204.820	4.078.744
<b>I. Net cash provided from banking operations</b>		<b>(12.428.136)</b>	<b>18.497.553</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(14.672.520)</b>	<b>(5.858.140)</b>
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		-	-
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		-	-
2.3 Cash paid for the purchase of tangible and intangible asset		(554.445)	(533.233)
2.4 Cash obtained from the sale of tangible and intangible asset		411.094	192.082
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income		(14.427.663)	(13.203.974)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		17.975.425	12.346.110
2.7 Cash paid for the purchase of financial assets at amortised cost		(20.429.342)	(4.807.224)
2.8 Cash obtained from sale of financial assets at amortised cost		2.352.411	148.099
2.9 Other		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flows from financing activities</b>		<b>(6.175.454)</b>	<b>613.493</b>
3.1 Cash obtained from funds borrowed and securities issued		33.347.665	33.210.986
3.2 Cash outflow from funds borrowed and securities issued		(39.105.785)	(32.198.476)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance lease liabilities		(417.334)	(399.017)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>6.3</b>	<b>18.190.396</b>	<b>4.200.943</b>
<b>V. Net increase (decrease) in cash and cash equivalents</b>		<b>(15.085.714)</b>	<b>17.453.849</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>6.1</b>	<b>60.275.596</b>	<b>42.821.747</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>6.1</b>	<b>45.189.882</b>	<b>60.275.596</b>

The accompanying explanations and notes form an integral part of these financial statements.

## Yapı ve Kredi Bankası A.Ş.

### Unconsolidated financial statements as of December 31, 2020 and 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### 7. Profit Distribution<sup>(1)</sup>

	Current Period (31/12/2020)	Prior Period (31/12/2019)
<b>I. Distribution of current year income</b>		
1.1 Current year income	6.551.975	4.338.936
1.2 Taxes and duties payable (-)	1.472.457	738.876
1.2.1 Corporate tax (income tax)	3.111.457	1.623.617
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(1.639.000)	(884.741)
<b>A. Net income for the year (1.1-1.2)</b>	<b>5.079.518</b>	<b>3.600.060</b>
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	180.004
1.5 Other statutory reserves (-)	-	-
<b>B. Net income available for distribution [(a)-(1.3+1.4+1.5)]</b>	<b>5.079.518</b>	<b>3.420.056</b>
1.6 First dividend to shareholders (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividends to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	-
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	3.417.505
1.13 Other reserves	-	-
1.14 Special funds	-	2.551
<b>II. Distribution of reserves</b>		
2.1 Appropriated reserves	-	-
2.2 Second legal reserves (-)	-	-
2.3 Dividends to shareholders (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
<b>III. Earnings per share</b>	<b>0,0060</b>	<b>0,0043</b>
3.1 To owners of ordinary shares	0,0060	0,0043
3.2 To owners of ordinary shares (%)	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
<b>IV. Dividend per share</b>		
4.1 To owners of ordinary shares	-	-
4.2 To owners of ordinary shares (%)	-	-
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

(1) Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2020 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table. Relevant amount also includes the total amount of TL 148.338, which is calculated in accordance with Article 5/1-e of the Corporate Tax Law No. 5520 as 75% of the sales income over a subsidiary and 50% of the sales income over immovable real estate will not be distributed and kept under a special fund.

The accompanying explanations and notes form an integral part of these financial statements.

## Yapı ve Kredi Bankası A.Ş.

### Notes to unconsolidated financial statements as of December 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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#### Section Three

##### Accounting policies

#### 1. Explanations on basis of presentation:

The Bank keeps its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC"), and Turkish Tax Legislation.

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying unconsolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets/liabilities buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles employed for the preparation the financial statements are in compliance with "Accounting and Reporting Legislation" published in the regulation, communiqué, interpretations and circular of BRSA. If there is no specific regulation of BRSA, it has been determined and applied in the context of TFRS.

The social and economic measures have been taken to reduce negativity of COVID-19 epidemic, which was spread globally in the first half of 2020, in our country as in other countries where the epidemic is effective and measures with partial changes continue to be implemented.

The Bank has reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected credit losses are explained in the explanations on the impairment of financial assets.

Interest rate benchmark reform London Interbank Offered Rate (LIBOR) is the most widely referenced benchmark interest rate across the globe for derivatives, bonds, loans and other floating rate instruments; however, there is a regulator-led push to transition the market from LIBOR and certain other benchmark rates to alternative risk-free, or nearly risk-free, rates that are based on actual overnight transactions at the end of 2021. Derivatives, floating rate notes, loans and other financial contracts whose terms extend beyond the relevant discontinuation date, and that refer to certain benchmark rates (including LIBOR) as the reference rate, will be impacted.

In Turkey, Turkish Lira Overnight Reference Rate ("TLREF") is created in order to meet the need of Turkish Lira short-term reference rate that can be used as an underlying or a benchmark in financial products, debt instruments and different types of financial contracts.

## **Yapı ve Kredi Bankası A.Ş.**

### **Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

International Accounting Standards Board ("IASB") published the Phase 1, Amendments to TAS 39, TFRS 9 and TFRS 7 in September 2019 and Phase 2, Amendments to IFRS 9, TAS 39, IFRS 7 and IFRS 16 in August 2020. The Phase 1, Amendments and The Phase 2, Amendments provide some specific reliefs on hedge accounting transactions and address issues that arise upon replacing the existing interest rate benchmark with the alternative interest rates and introduces additional disclosure requirements. There is no hedge relation discontinued due to this reform.

Interest rate contracts are used in hedge transactions to manage exposure to interest rate risk of assets and liabilities. The hedging instruments designated to manage these risks reference IBOR in multiple jurisdictions and will be affected by the reform as the markets transition to alternative risk free or nearly risk-free rates by 2021 and beyond.

The Phase 2 Amendments provide two key reliefs

- Modifications made as a direct result of the reform on an economically equivalent basis are reflected prospectively in the effective interest rate rather than as an immediate gain or loss.
- If qualifying criteria are met, hedging relationships that are directly impacted by the reform would be able to continue hedge accounting upon transition to alternative interest rates.

#### **Additional paragraph for convenience translation into English:**

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

#### **2. Explanations on strategy of using financial instruments and foreign currency transactions:**

The general strategy of the Bank in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is deposits. For non-deposit items, the Bank maintains longer-term funding structure especially through long-term foreign borrowings. Funds from deposits and other funding sources are invested in high quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits approved in the Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is monitored within the limits determined by the Board of Directors under the context of Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Bank hedges foreign currency exposure arising from carrying its foreign subsidiaries at equity method, with foreign currency financial liabilities and applies net investment hedge accounting. The effective portions of the change in fair value in financial liabilities in foreign currency are recorded under "Other accumulated comprehensive income that will be reclassified in other profit or loss" in equity.

In order to eliminate the inconsistency in the recognition, the Bank might classify its financial liabilities as financial liabilities at fair value through profit / loss upon the initial recognition.

#### **3. Explanations on investments in associates, subsidiaries and joint ventures:**

Associates, subsidiaries and joint ventures are being carried at equity method as defined in "TAS 28 - Investments in Associates and Joint Ventures" in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "Other accumulated comprehensive income that will not be reclassified in profit or loss" under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity, respectively. This accounting policy change is performed through an early adaption before the effective date of January 1, 2016 in accordance with the change of "TAS - 27 Turkish Accounting Standards for Individual Financial Statements" numbered 29321 on April 9, 2015 and confirmation by BRSA's letter numbered 10686 on July 14, 2015.



**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**4. Explanations on forward and option contracts and derivative instruments:**

The Bank's derivative transactions mostly include money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method applied to the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Bank documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transaction is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or derecognition of the hedged item.

The Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using currency and interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in "Other accumulated comprehensive income that will be reclassified in profit or loss" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "TFRS 9 - Financial Instruments" and are therefore treated as "Derivative financial assets at fair value through profit or loss".

"Derivative financial assets at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Derivative financial assets at fair value through profit or loss"; and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities at fair value through profit or loss". Fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "TFRS – 9 Financial Instruments" in case (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2020, the Bank's credit derivatives portfolio included total return swaps.

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Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "IFRS – 9 Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, currency exchange transactions, which are realized at value date in the initial phase of currency swaps, are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "IFRS – 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

Within the scope of IFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions.

#### **5. Explanations on interest income and expense:**

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts ("UCA"). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

#### **6. Explanations on fee and commission income and expenses:**

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with IFRS 15.

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**Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**7. Explanations on financial assets:**

As of January 1, 2018, the Bank has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

According to TFRS 9, classification of financial assets is based on two criterias; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Bank manages the assets in order to generate cash flows. Bank's business model may be to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

**Assessment of the business model**

The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a single-instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences available at the assessment date have taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Bank's management;
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

If cash flows are realised in a way that is different from the expectations on the date of the assessment of the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were . However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

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### **Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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The business models are divided into three categories. These categories are defined below:

- Business model whose objective is to hold assets in order to collect contractual cash flows

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Bank manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Bank's business model may be to hold financial assets in order to collect contractual cash flows, the Bank does not need to hold all of those instruments until the maturity. Thus Bank's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Bank sells financial assets when there is an increase in the assets' credit risk. The Bank considers reasonable and supportable information, including forward looking information, in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Bank's ability to collect contractual cash flows.

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Bank's management have made a decision on both collecting contractual cash flows and selling financial assets is necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on a daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Bank will both collect contractual cash flows and sell financial assets.

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

- Other business models

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Bank is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

#### **Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

When making such assessment, the Bank:

- contingent events that would change the amount and timing of cash flows
- leverage features
- prepayment and extension terms
- conditions restricting the Bank from asking the cash flows of the assets
- features that change the time value of the money

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

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**7.1. Financial assets at fair value through profit or loss**

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be observed reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

**7.2. Financial assets measured at amortised cost:**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at "Amortized cost" using the "Effective interest method".

**7.3. Loans :**

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the UCA. Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in "foreign exchange gain/loss" accounts.

The Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering "TFRS 9 - Financial Instruments" and the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 29750 dated June 22, 2016. In this context, the management estimates are determined on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Due to the impact of COVID-19 outbreak, the BRSA took the following decisions that was effective from March 17, 2020:

- The 90-day delay period that was envisaged for the classification of non-performing loans will be applied 180 days until June 30, 2021 for Stage 1 and 2 loans.
- The 30-day delay period that was envisaged for the classification of loans in stage 2 will be applied as 90 days until June 30, 2021 for Stage 1 loans.
- Continuing to allocate provisions according to their own risk models in the calculation of expected credit loss within the scope of IFRS 9 for loans, which are classified as Stage 2 despite a delay of more than 90 days and classified as Stage 1 despite a delay of more than 30 days.

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As of December 31, 2020, the Bank has made its classifications in accordance with the changes mentioned above and reflected them in its financial statements. In this context; the Bank has evaluated many reasonable and supportable qualitative and quantitative data by taking into account the impact of COVID-19 in assessing whether there is a significant increase in credit risk in the classification of loans according to stages and determining the moment when the default situation occurs. It has classified the loans according to their stages according to its best judgment under the current conditions.

The Bank has taken into account the possible difficulties in the cash flows or payments of customers due to uncertainties regarding the COVID 19 epidemic process within the scope of IFRS 9 while calculating the expected credit loss for the loans classified according to their stages in the scope above. Based on this, the Bank has been allocating more provision for the loans which are classified as Stage 2 despite a delay of more than 90 days and classified as Stage 1 despite a delay of more than 30 days, in their stages according to credit risk models.

On the other hand, the Bank follow closely the processes related to the epidemic and continues its activities in this period with sensitivity in line with the needs of its individual and commercial customers, by postponing the debts due, restructuring with a grace period and allocating existing / additional limits. In this context the credit risk of customers which requests postponing is reflected to the estimates used in the calculation of expected credit loss by using expert judgement also taking into consideration historical data, current conditions and future expectations.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "Other operating income". The write off policy is described in the explanations and notes related to assets, fifth section.

#### **7.4. Financial assets at fair value through other comprehensive income:**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss ", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from Financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of a financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Profit/losses from capital market transactions".

#### **7.5. Equity instruments measured at fair value through other comprehensive income:**

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made on an instrument by instrument basis. Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit / loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation

#### **8. Explanations on impairment of financial assets:**

The Bank assesses the expected credit losses ("ECL") related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

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- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

The Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removal of prudency principal required for IRB preparation phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (YKB is at pre-application stage for A-IRB models. TFRS-9 parameters developed over these parameters.);
- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudency and including the expected discounted cash flow.

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The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

#### **Significant increase in credit risk**

In the assessment of significant increase in credit risk quantitative and qualitative assessments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criterias are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when 30 days past due status is reached. The Bank can abandon this estimation when it has reasonable and supportable information available which demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non cash loans are evaluated as significant increase in credit risk.

#### **Qualitative Assessment**

The probability of significant increase in credit risk under qualitative assessment is based on the comparison of probability of default of a loan in the origination and as of reporting date.

The Bank uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Bank's subsidiaries, associates are resident;
- Bank placements;
- Other money market transactions;
- Transactions of Bank's associates and subsidiaries

#### **Forward Looking Information**

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. For the calculation of expected credit loss, Bank uses macroeconomic estimation method which is developed during creation of various scenarios. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP), Unemployment Rate, Foreign Trade Balance and Housing Price Index.

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When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Bank evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk. Within the scope of the effects of COVID-19 on Expected Credit Loss calculations, the Bank has reviewed the macroeconomic model used in the process as of December 31, 2020, increased 30 basis points the weight of the pessimistic scenario by reducing the weight of the optimistic scenario with the same amount and used the data considered to reflect the current situation in the best way.

On the other hand, researches have been carried out on the sectors affected by COVID-19, the effects that belonged to the period which COVID-19 was the most effective, were segregated on a sectoral basis and analyzed whether in which direction the Borsa Istanbul Index data differed from the cumulative index data and this differentiation is reflected in the probability of default values on a sectoral basis.

The Bank revised its macroeconomic expectations due the effects of the COVID-19 pandemic and reflected the calculations made to its financial statements considering the probability of default values and the possible changes in the exposure at default. In this context, the Bank has measured the effect of the change in macroeconomic data used in the calculation of expected credit loss such as gross domestic product, unemployment rate and foreign trade deficit, on the non performing loans under different scenarios and reflected the coefficient increase, which was considered to be the most accurate, to its provision calculations by projecting it on the loan parameters within the range of NPL ratio obtained throughout the calculations. The Bank reflected the possible effects of the COVID-19 and estimation of cash flows with reasonable and supportable information used in calculating the expected loan loss provision for the loans subject to individual assessment. This preferred approach will be revised in the coming reporting periods considering the impact of the outbreak, the credit portfolio and changes in future expectations.

**9. Explanations on offsetting financial assets:**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

**10. Explanations on sales and repurchase agreements and securities lending transactions:**

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Bank has no securities lending transactions.

**11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:**

According to the " TFRS – 5 Non-current Assets Held for Sale and Discontinued Operations", a tangible asset (or a bank of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a bank of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a bank of assets to be disposed) is available for immediate sale in its present condition.

For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Bank's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

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**12. Explanations on goodwill and other intangible assets:**

**12.1. Goodwill:**

The excess of the cost of an acquisition over the fair value of the Bank's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquire before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with TFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "TFRS – 3 Business Combinations", the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "TAS – 36 Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment once a year. If there are any indications that the unit is impaired, the impairment test is performed more frequently. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

There is no evidence of impairment on the goodwill amount as a result of the impairment test.

**12.2. Other intangible assets:**

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Bank evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Bank estimates a recoverable amount in accordance with the "TAS – 36 Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit from the asset.

**13. Explanations on property and equipment:**

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS – 16 Property, Plant and Equipment". Subsequently, properties and equipment, except art objects, paintings and buildings are carried at cost less accumulated depreciation and provision for impairment.

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with "TAS – 16 Property, Plant and Equipment".

The depreciation rate for buildings is 2-4%, for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

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In accordance with "TAS – 36 Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

#### **14. Explanations on leasing transactions:**

The Bank performs leasing transactions in the capacity of the lessee and lessor.

##### **Accounting of leasing operations according to lessee:**

The Bank has adopted "IFRS 16: Leases" approach in the accounting of leasing transactions.

In accordance with IFRS 16, the Bank calculates "right-of-use" amount using the present value of the lease payments of fixed asset at the beginning of the leasing period and recognizes under "property and equipment". Unpaid leasing payments are calculated at their net present value and recognized under "lease payables" in liabilities. Lease payments are discounted using related borrowing rates.

Fixed assets that are subject to leasing is amortised on the basis of leasing period. Interest expense related to lease payables is classified under "interest on lease payables" under "interest expense" and exchange rate changes are classified under "foreign exchange gains/losses". Leasing payments are deducted from lease payables.

##### **Accounting of the leasing transactions in terms of the lessor:**

The major risks and benefits of the property carried by the lessor are classified as operational leasing. The payments that are received as operational leasing are accounted as income via the linear method throughout the leasing term.

#### **15. Explanations on provisions, contingent liabilities:**

Provisions and contingent liabilities, except for the specific and general provisions recognized for loans and other receivables, are accounted in accordance with "TAS – 37 Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions for contingent liabilities arisen from past events are recognized in the period of occurrence in accordance with the "Matching principle". A provision is recognized when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

#### **16. Explanations on obligations related to employee rights:**

##### **16.1. Employee termination benefits**

Obligations related to employee termination and vacation rights are accounted for in accordance with "TAS – 19 Employee Rights" and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS – 19 Employee Rights" standard.

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#### **16.2. Pension rights**

The Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No.506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23 paragraph 1 of the Banking Act published in the Official Gazette No. 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26731. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335. The president was authorized to determine the transfer date of pension funds in accordance with the last amendment by the Law No. 30473 published in the Official Gazette dated July 9, 2018.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

#### **16.3. Short term benefits of employee:**

Within the scope of "TAS – 19 Employee Rights", the Bank measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

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**17. Explanations on taxation:**

**17.1. Current tax:**

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020. 22% rate will also be valid for aforementioned years' in the provisional tax declaration.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the capital gains derived from immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Tax returns are required to be filled and delivered to the related tax office until the last evening of the fourth month following the balance sheet date and the accrued tax is paid same day. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

**17.2. Deferred tax:**

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "TAS – 12 Income Taxes" and in accordance with BRSA's explanations and circulars and the tax legislation. The Bank calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate is used as of the balance sheet date by estimating when the temporary differences will be taxable / deductible in accordance with the current tax legislation.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilized.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

**17.3. Transfer pricing:**

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

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“Arm’s length principle”, which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

**18. Explanations on borrowings:**

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortized cost” including costs of transactions using the “effective interest method”.

Bank, classified its part of the financial debts as fair value through profit / loss on financial liabilities. Difference between fair value of the debt and amortized cost of the debt together with the interest expense paid on financial instrument is presented as trading gain and losses in the accompanying financial statements.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Bank.

Also, the Bank obtains funds by issuing bonds and bills.

**19. Explanations on issuance of share certificates:**

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders’ equity as “Share premium”.

**20. Explanations on avalized drafts and letter of acceptances:**

Avalized drafts and acceptances are included in the “Off-balance sheet commitments”.

**21. Explanations on government grants:**

In accordance with the related articles of the “Law Regarding the Supporting of Research and Development Activities” numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 78 (December 31, 2019 - TL 694).

**22. Profit reserves and profit distribution:**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

No dividend payments were announced after the balance sheet date.

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**23. Earnings per share:**

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

	<b>Current Period</b>	<b>Prior Period</b>
Net Income/(loss) to be appropriated to ordinary shareholders	5.079.518	3.600.060
Weighted average number of issued ordinary shares(thousand)	844.705.128	844.705.128
<b>Earnings per share (full TL)</b>	<b>0,0060</b>	<b>0,0043</b>

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2020 (2019 – None).

**24. Related parties:**

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS – 24 Related Parties". The transactions with related parties are disclosed in detail in Note 7 of Section Five.

**25. Explanations on operating segments:**

Information about operating segments which are determined in line with "TFRS – 8 Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 12 of Section Four.

**26. Explanations on other matters:**

None.

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**Section Four - Information related to financial position of the Bank****1. Explanations on equity:**

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, “Regulation Credit Risk Mitigation Techniques”, “Regulation on calculation of Risk-Weighted Amounts of Securitizations” and “Regulation Regarding Banks’ Shareholders’ Equity”. The capital adequacy ratio of the Bank is 18,23% (December 31, 2019 - 17,81%).

**1.1. Information on equity:**

	Current Period	Prior Period
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	29.633.487	26.058.750
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	7.377.558	5.716.725
Profit	5.079.518	3.600.060
Net profit of the period	5.079.518	3.600.060
Profit of the previous years	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	25.382	19.696
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>51.119.933</b>	<b>44.399.219</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Prudential valuation adjustments	86.115	81.748
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	2.432.808	1.574.703
Improvement costs for operating leasing	108.425	123.898
Goodwill (net of related tax liability)	979.493	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	844.061	792.785
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	-	-
Shortfall of provisions to expected losses	-	-
Securitization gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks’ Shareholders’ Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	-	-
The amount above threshold for mortgage servicing rights	-	-
The amount above threshold for deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>4.450.902</b>	<b>3.552.627</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>46.669.031</b>	<b>40.846.592</b>



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	Current Period	Prior Period
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	4.771.325	3.861.130
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>4.771.325</b>	<b>3.861.130</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>		
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
<b>Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier 1 capital</b>	<b>4.771.325</b>	<b>3.861.130</b>
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	<b>51.440.356</b>	<b>44.707.722</b>
<b>TIER 2 CAPITAL</b>		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6.980.701	6.817.423
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	322.028	492.467
Provisions (Article 8 of the Regulation on the Equity of Banks)	4.034.262	2.723.888
<b>Tier 2 capital before regulatory adjustments</b>	<b>11.336.991</b>	<b>10.033.778</b>
<b>Tier 2 capital: regulatory adjustments</b>		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	141.561	112.694
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>141.561</b>	<b>112.694</b>
<b>Total Tier 2 capital</b>	<b>11.195.430</b>	<b>9.921.084</b>
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>62.593.587</b>	<b>54.589.297</b>
<b>The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	5.591	4.337
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition <sup>(1)</sup>	-	-
National specific regulatory adjustments which shall be determined by the BRSA	36.608	35.172
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</b>		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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<b>OWN FUNDS</b>	<b>Current Period</b>	<b>Prior Period</b>
Total Capital (The sum of Tier 1 capital and Tier 2 capital) <sup>(2)</sup>	62.438.104	54.589.297
Total Risk Weighted Assets <sup>(3)</sup>	342.492.423	306.434.651
<b>CAPITAL ADEQUACY RATIOS</b>		
Common Equity Tier 1 Capital Adequacy Ratio (%)	13,63	13,33
Tier 1 Capital Adequacy Ratio (%)	15,02	14,59
Capital Adequacy Ratio (%)	18,23	17,81
<b>BUFFERS</b>		
Institution specific buffer requirement of the Bank(a+b+c)	2,530	2,530
a) Capital conservation buffer requirement (%)	2,500	2,500
b) Bank's specific countercyclical buffer requirement (%)	0,030	0,030
c) Systemically important Bank buffer (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	9,019	8,590
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	1.203.097	902.257
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	4.296.299	2.848.751
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	11.568.720	6.384.341
Up to 1,25% of total risk-weighted amount of general provisions for receivables where the standard approach used	4.034.262	3.492.164
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	322.028	492.467
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	6.326.953	4.993.118

- (1) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.
- (2) In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before March 23, 2020 classified under "securities at fair value through other comprehensive income" are not taken into consideration in the calculation of own funds according to BRSA note no.9312 dated December 8, 2020.
- (3) Total Risk Weighted Assets are calculated with arithmetic average of the Central Bank of Turkey's spot purchase exchange rates for 252 working days before calculation date, according to BRSA note no.9312 dated December 8, 2020.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

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**1.2. Details on Subordinated Liabilities:**

	1	2	3	4	5	6	7
Lender (1,2), Issuer (3,4,5)	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067/ US984848AF87	XS1867595750/ US984848AL55	TRSYKKB62914	TRSYKKB92911
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law	English Law /Turkish Law	BRSA /CMB / Turkish Law	BRSA /CMB / Turkish Law
<b>Regulatory treatment</b>							
Transitional Basel III rules	No	No	Yes	No	No	No	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1.718	793	322	3.670	4.771	500	300
Par value of instrument	4.294	1.982	6.649	3.670	4.771	500	300
Accounting classification	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016	January 15, 2019	July,3 2019	October,3 2019
Perpetual or dated	Dated	Dated	Dated	Dated	Perpetual	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years + 1 day	-	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	No	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	5 years	Every 5 years	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-	Every 5 years	After 5th year	After 5th year
<b>Coupons / dividends</b>							
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Variable Interest	Variable Interest
Coupon rate and any related index	5.7%	First 5 years 6,55% fixed, second 5 years 7,7156% fixed	5,5%	First 5 years 8,625% fixed, second 5 years MidSwap+7,40%	First 5 years 13,875% fixed, after 5 years MidSwap+11,245% fixed	3 monthly TRYLIBOR +1,00 %	TLREF index change + 1,30%
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory	Optional	Mandatory	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
<b>Convertible or non-convertible</b>							
If convertible, conversion trigger (s)	-	-	-	-	-	-	-
If convertible, fully or partially	-	-	-	-	-	-	-
If convertible, conversion rate	-	-	-	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-	-	-	-
<b>Write-down feature</b>							
If write-down, write-down trigger(s)	-	-	-	In case of default	In case of default/ Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF
If write-down, full or partial	-	-	-	Partial	Partial and complete	Partial and complete	Partial and complete
If write-down, permanent or temporary	-	-	-	Permanent	Temporary	Permanent	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-	In case of cancellation of default/ Common Equity Tier 1 capital adequacy ratio of the bank is higher than 5.125%	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, and the TIER 1	After the senior creditors, before the TIER 1 subdebt, before the TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of “Own fund regulation”	No	No	Yes	No	No	No	No
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-	-	8-2-ğ	-	-	-	-

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1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses and gains that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the “Regulation Regarding Banks’ Shareholders’ Equity” are considered in the own funds. In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before March 23, 2020 classified under “securities at fair value through other comprehensive income” are not taken into consideration in the calculation of own funds according to BRSA note no.9312 dated December 8, 2020. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the “Regulation Regarding Banks’ Shareholders’ Equity”.

#### 1.4. Exposures subject to countercyclical capital buffer

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué “Regulation on Capital Conservation and Countercyclical Capital buffers of Banks” published in the Official Gazette no. 28812 dated November 5, 2013 is presented below:

##### Private sector receivables:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	271.203.068	-	271.203.068
Malta	1.524.507	-	1.524.507
Netherland	690.510	-	690.510
Republic of Maldives	614.974	-	614.974
Marshall Islands	470.156	-	470.156
Italy	338.552	-	338.552
Kazakhstan	201.187	-	201.187
Germany	160.894	-	160.894
Switzerland	121.052	-	121.052
Azerbaijan	104.805	-	104.805
Other	802.609	-	802.609
<b>Total</b>	<b>276.232.314</b>	<b>-</b>	<b>276.232.314</b>

#### 2. Explanations on Credit Risk:

2.1. Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank’s Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. Collaterals and guarantees must be obtained during credit underwriting based on credit worthiness, customers’ financial status, and credit type. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Rating system used for Medium Sized Entities (ME), Small and Medium Sized Entities (SME) and Corporate/Commercial customers is also used for defining the authorization level for loan granting. Thus, customers with a low rating are assigned to higher authority levels, whereas customers with a high rating are assigned to lower authority levels. By using this methodology it is aimed to establish risk based optimization in the loan processes.

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Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate, Commercial, ME and SME customers of the Bank is as follows:

	Current Period	Prior Period
Above average	59,2%	47,5%
Average	34,8%	42,8%
Below average	6,0%	9,7%

The Bank takes following criterias into consideration for the identification of default:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower

The Bank sets aside expected credit loss provisions in accordance with the Provisioning Regulation within the scope of “provisions” and “value adjustments”.

**Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:**

Risk Classifications:	Current Period risk amount <sup>(1)</sup>	Average risk amount
Conditional and unconditional receivables from central governments or central banks	146.810.857	116.048.656
Conditional and unconditional receivables from regional or local governments	646	730
Conditional and unconditional receivables from administrative units and non-commercial enterprises	91.003	108.768
Conditional and unconditional receivables from multilateral development banks	774.046	231.999
Conditional and unconditional receivables from banks and brokerage houses	39.753.296	37.134.405
Conditional and unconditional receivables from corporates	181.834.992	167.896.143
Conditional and unconditional retail receivables	99.852.721	88.842.371
Conditional and unconditional receivables secured by mortgages	42.896.020	37.077.938
Past due receivables	4.135.561	4.516.785
Receivables defined as high risk category by the Regulator	2.150.458	1.639.648
Investment in equities	20	5.148
Other receivables	9.863.296	8.749.552
Conditional and unconditional receivables from central governments or central banks	16.321.207	15.577.893
<b>Total</b>	<b>544.484.123</b>	<b>477.830.036</b>

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations

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**Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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- 2.2** The Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.
- The Bank may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the risks that may arise due to being exposed to severe risk levels arising from fluctuations in the market.
- 2.3** In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.
- Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.
- 2.4** Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material credit risk have been observed in scope of these operations.
- 2.5** Regarding credit risk;
- The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 33% and 40% (December 31, 2019 - 36% and 43%).
  - The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 45% and 59% (December 31, 2019 - 49% and 62%).
  - The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 36% and 45% of total cash loans and non-cash loans (December 31, 2019 - 39% and 48%).
- 2.6** The Bank provided a generic loan loss provision amounting to TL 11.568.720 (December 31, 2019 - TL 6.384.341).

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### 2.7 Risk profile according to the geographical concentration:

	Risk Classifications <sup>(1)(2)</sup>													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>Current Period</b>														
Domestic	146.810.857	646	91.003	-	10.659.309	177.592.498	99.813.882	42.259.620	4.016.130	1.731.964	20	249.518	16.321.207	499.546.654
EU countries	-	-	-	763.578	18.080.655	2.076.159	15.337	632.497	107.854	8.161	-	-	-	21.684.241
OECD countries <sup>(3)</sup>	-	-	-	-	827.251	706.841	1.862	1.045	-	-	-	-	-	1.536.999
Off-shore banking regions	-	-	-	-	-	540.107	66	-	11.193	-	-	-	-	551.366
USA, Canada	-	-	-	10.468	9.860.909	26.982	3.848	1.013	30	-	-	154.043	-	10.057.293
Other countries	-	-	-	-	325.172	892.405	17.726	1.845	354	410.333	-	-	-	1.647.835
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	9.459.735	-	9.459.735
Undistributed Assets / Liabilities <sup>(4)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>146.810.857</b>	<b>646</b>	<b>91.003</b>	<b>774.046</b>	<b>39.753.296</b>	<b>181.834.992</b>	<b>99.852.721</b>	<b>42.896.020</b>	<b>4.135.561</b>	<b>2.150.458</b>	<b>20</b>	<b>9.863.296</b>	<b>16.321.207</b>	<b>544.484.123</b>

	Risk Classifications <sup>(1)(2)</sup>													Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	
<b>Prior Period</b>														
Domestic	92.150.105	-	103.721	-	19.817.368	162.590.256	81.626.189	25.361.708	6.760.768	191.963	4.997	212.671	13.753.425	402.573.171
EU countries	-	-	-	2.001	17.882.457	2.490.793	6.477	3.296	101.323	-	-	-	-	20.486.347
OECD countries <sup>(3)</sup>	-	-	-	-	2.060.550	1.021.697	902	1.688	2	-	-	-	-	3.084.839
Off-shore banking regions	-	-	-	-	35.926	1.355.650	33	-	11.717	-	-	-	-	1.403.326
USA, Canada	-	-	-	8.914	13.746.036	1.794.590	1.243	934	7	-	-	269.484	-	15.821.208
Other countries	-	-	-	-	168.930	1.596.217	4.750	1.664	404	3	-	-	-	1.771.968
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	7.826.926	-	7.826.926
Undistributed Assets / Liabilities <sup>(4)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>92.150.105</b>	<b>-</b>	<b>103.721</b>	<b>10.915</b>	<b>53.711.267</b>	<b>170.849.203</b>	<b>81.639.594</b>	<b>25.369.290</b>	<b>6.874.221</b>	<b>191.966</b>	<b>4.997</b>	<b>8.309.081</b>	<b>13.753.425</b>	<b>452.967.785</b>

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.

(3) OECD Countries other than EU countries, USA and Canada.

(4) Assets and liabilities are not allocated on a consistent basis

1-Conditional and unconditional receivables from central governments or central banks

2-Conditional and unconditional receivables from regional or local governments

3-Conditional and unconditional receivables from administrative units and non-commercial enterprises

4-Conditional and unconditional receivables from multilateral development banks

5-Conditional and unconditional receivables from banks and brokerage houses

6-Conditional and unconditional receivables from corporates

7-Conditional and unconditional retail receivables

8-Conditional and unconditional receivables secured by mortgages

9-Past due receivables

10-Receivables defined as high risk category by the Regulator

11-Exposures in the form of collective investment undertaking

12-Investment in equities

13-Other receivables

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#### 2.8 Risk profile according to sectors and counterparties:

	Risk classifications <sup>(1)(2)</sup>													TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13			
<b>Agricultural</b>	-	-	2.279	-	-	2.943.297	1.728.254	474.272	78.943	91.415	-	-	-	3.420.220	1.898.240	5.318.460
Farming and raising livestock	-	-	2.279	-	-	2.037.749	1.466.329	439.593	76.351	37.919	-	-	-	2.815.300	1.244.920	4.060.220
Forestry	-	-	-	-	-	676.352	230.694	31.796	1.227	29	-	-	-	476.237	463.861	940.098
Fishing	-	-	-	-	-	229.196	31.231	2.883	1.365	53.467	-	-	-	128.683	189.459	318.142
<b>Manufacturing</b>	-	-	9.368	-	-	105.195.252	20.553.871	18.634.217	2.620.371	797.540	-	1.870	-	70.067.921	77.744.568	147.812.489
Mining	-	-	-	-	-	1.113.285	206.192	58.450	8.401	15.738	-	-	-	1.149.241	252.825	1.402.066
Production	-	-	1.325	-	-	62.500.299	20.002.233	16.698.586	1.664.327	601.902	-	1.870	-	58.802.928	42.667.614	101.470.542
Electric, gas and water	-	-	8.043	-	-	41.581.668	345.446	1.877.181	947.643	179.900	-	-	-	10.115.752	34.824.129	44.939.881
<b>Construction</b>	-	-	28	-	-	22.259.471	4.685.819	4.931.327	264.286	574.312	-	22.874	-	13.256.663	19.481.454	32.738.117
<b>Services</b>	146.810.857	646	79.328	774.046	38.706.449	50.307.361	11.155.488	11.714.983	838.085	683.336	-	8.255.264	11.152.760	144.066.008	136.412.595	280.478.603
Wholesale and retail trade	-	-	-	-	-	12.642.171	5.068.077	1.458.332	123.163	88.368	-	-	-	10.591.979	8.788.132	19.380.111
Hotel, food and beverage services	38	-	-	-	-	4.864.929	1.379.312	3.999.331	104.211	532.907	-	-	-	3.680.024	7.200.704	10.880.728
Transportation and telecommunication	-	-	-	-	-	10.453.128	1.541.094	1.919.565	166.689	8.498	-	233.446	-	4.287.484	10.034.936	14.322.420
Financial institutions	146.760.500	-	5	774.046	38.706.449	8.242.095	397.617	603.594	2.926	43	-	8.018.134	11.152.760	114.835.234	99.822.935	214.658.169
Real estate and renting services	-	-	422	-	-	4.792.458	619.615	1.179.114	409.445	50.736	-	-	-	2.277.611	4.774.179	7.051.790
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	-	-	629	-	-	565.884	171.840	117.816	4.225	53	-	-	-	805.760	54.687	860.447
Health and social services	50.319	646	78.272	-	-	8.746.696	1.977.933	2.437.231	27.426	2.731	-	3.684	-	7.587.916	5.737.022	13.324.938
<b>Other</b>	-	-	-	-	-	1.046.847	1.129.611	61.729.289	7.141.221	333.876	20	1.583.288	5.168.447	75.147.285	2.989.169	78.136.454
<b>Total</b>	<b>146.810.857</b>	<b>646</b>	<b>91.003</b>	<b>774.046</b>	<b>39.753.296</b>	<b>181.834.992</b>	<b>99.852.721</b>	<b>42.896.020</b>	<b>4.135.561</b>	<b>2.150.458</b>	<b>20</b>	<b>9.863.296</b>	<b>16.321.207</b>	<b>305.958.097</b>	<b>238.526.026</b>	<b>544.484.123</b>

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from banks and brokerage houses
- 6-Conditional and unconditional receivables from corporates
- 7-Conditional and unconditional retail receivables
- 8-Conditional and unconditional receivables secured by mortgages
- 9-Past due receivables
- 10-Receiveables defined as high risk category by the Regulator
- 11-Exposures in the form of collective investment undertaking
- 12-Investment in equities
- 13-Other receivables



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

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#### 2.9 Risk profile according to remaining maturities:

Risk classifications <sup>(1)</sup>	1 month	1-3 months	3-6 months	6-12 months	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	47.180.434	139.131	1.149.058	1.558.294	93.220.219	143.247.136
Conditional and unconditional receivables from regional or local governments	-	-	-	-	646	646
Conditional and unconditional receivables from administrative units and non-commercial enterprises	10.618	32.746	10.500	8.264	28.800	90.928
Conditional and unconditional receivables from multilateral development banks	761.274	771	11.519	482	-	774.046
Conditional and unconditional receivables from banks and brokerage houses	17.267.175	2.399.395	4.129.598	2.664.269	6.309.801	32.770.238
Conditional and unconditional receivables from corporates	10.515.273	14.130.098	25.421.296	27.975.633	103.739.000	181.781.300
Conditional and unconditional retail receivables	33.696.441	2.873.769	5.730.789	6.833.719	47.677.868	96.812.586
Conditional and unconditional receivables secured by mortgages	593.880	1.401.967	1.715.152	3.772.621	35.366.326	42.849.946
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	155	8.321	1.482	10.751	510.115	530.824
Exposures in the form of collective investment undertaking	-	-	20	-	-	20
Investments in equities	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>110.025.250</b>	<b>20.986.198</b>	<b>38.169.414</b>	<b>42.824.033</b>	<b>286.852.775</b>	<b>498.857.670</b>

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

#### 2.10 Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” are presented below:

Risk Weights	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	153.943.019	1.747.308	95.220	24.224.009	-	21.815.324	110.898.655	228.921.956	1.752.751	1.085.881	544.484.123	2.115.739
2 Total exposure after credit risk mitigation	139.121.705	50.016	95.220	23.910.735	9.213.124	34.690.027	94.693.947	207.425.909	964.171	1.085.881	511.250.735	2.115.739

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**2.11 Information according to sectors and counterparties :**

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days (will temporarily be applied 180 days until June 30, 2021) and above and/or negative risk assessments of creditworthiness of the debtor; “Specific Provision” is set aside in the accompanying financial statements as of 31 December 2020.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days (will temporarily be applied 180 days until June 30, 2021); “General Provision” is set aside in the accompanying financial statements as of 31 December 2020.

Sectors and Counterparties	Loans		Provisions
	Impaired		
	Significant increase in credit risk (stage 2)	Credit Impaired (stage 3)	Expected Credit Losses
<b>Agricultural</b>	<b>264.615</b>	<b>562.861</b>	<b>423.020</b>
Farming and raising livestock	247.004	459.431	373.121
Forestry	16.596	13.342	14.626
Fishing	1.015	90.088	35.273
<b>Manufacturing</b>	<b>25.865.286</b>	<b>11.104.498</b>	<b>12.487.382</b>
Mining	91.085	108.318	92.811
Production	5.011.301	6.650.122	5.129.643
Electric, gas and water	20.762.900	4.346.058	7.264.928
<b>Construction</b>	<b>7.006.170</b>	<b>2.622.112</b>	<b>2.767.836</b>
<b>Manufacturing</b>	<b>13.441.597</b>	<b>3.320.381</b>	<b>3.794.309</b>
Wholesale and retail trade	541.662	841.422	706.413
Hotel, food and beverage services	1.688.253	562.584	443.168
Transportation and telecommunication	2.987.908	572.497	547.856
Financial institutions	1.253.170	24.664	377.431
Real estate and renting services	4.017.441	1.062.352	1.129.720
Professional Services	-	-	-
Education services	15.643	28.538	26.750
Health and social services	2.937.520	228.324	562.971
<b>Other</b>	<b>4.248.928</b>	<b>2.174.285</b>	<b>2.621.474</b>
<b>Total</b>	<b>50.826.596</b>	<b>19.784.137</b>	<b>22.094.021</b>

**2.12 Information about value adjustments and changes in the loan impairment:**

	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments <sup>(1)</sup>	Close out balance
1 Specific provisions	12.185.904	4.306.148	(1.854.961)	(868.368)	13.768.723
2 General provisions	6.384.341	5.184.379	-	-	11.568.720

(1) The figure represents write-off's and also includes NPL sales amounts.

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**3. Explanations on Risk Management:**

**3.1. General Information on Risk Management and Risk Weighted Amount**

**3.1.1. Risk Management Approach of The Bank**

Risk management strategy of the Bank ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Bank is based on strong risk management techniques of ISEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank's activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Bank implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of Bank's credit allocation activities, is updated minimum annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

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Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into "Market Risk Management", "Credit Risk Management" and "Strategic Risk Control" and "Risk Validation" units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Liquidity Risk Limit Management Policy, Liquidity Emergency Policy, Interest Rate Risk Policy, Interest Rate Risk Limit Management Policy, Hedge Policy, Derivatives Policy, Independent Price Verification Policy, Policy due to inclusion on Financial assets where fair value change is reflected to income statement, Market Risk Stres Test Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (Financial assets where fair value change is reflected to income statement and Financial assets where fair value change is reflected to other comprehensive income statement) basis. Performance of internal models is measured by backtesting of the model's outputs. In addition, transaction limits are used at specific products.

Liquidity Risk measurement methods; consists of both short term risk metrics such as Liquidity Coverage Ratio, Short Term Liquidity, Intraday Liquidity, and Early Warning Indicators and long-term risk metrics such as the Net Stable Funding Ratio and the funding concentration structure. With various scenario analyzes aimed at stressing the liquidity, it is examined how the possible deterioration scenarios that can be observed in the parameters of the market or institution-specific or both cases affect the liquidity position of the Bank.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management , budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Macroeconomic Research Department.

The Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level.

For the detection and mitigation of risks, Operational and Reputational Risk Management defines policies and strategies and determines, reports and monitors actions to reduce potential operational and reputational risks via loss data, key risk indicators, scenario analysis and risk assessments. Operational Risk Management Policy and Reputational Risk Policy is updated every year and approved by the Board of Directors.

Business Continuity Management Policy aims at reducing the risks that may endanger the continuity of Banks operations to a minimum level and ensuring critical product and services in case of unexpected events in an acceptable period. Bank's resilience against unexpected events is increased through the Crisis Communication Plan, Emergency Response Plan, Business Recovery Plan and Crisis Communication Plan. Business Continuity Policy and Plans are regularly updated and approved by the Board of Directors.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**3.1.2. Overview of Risk Weighted Assets**

	Risk Weighted Assets		Minimum Capital Requirements	
	Current Period	Prior Period	Current Period	
<b>1</b>	<b>Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>300.975.207</b>	<b>272.047.948</b>	<b>24.078.017</b>
2	Of which standardised approach (SA)	300.975.207	272.047.948	24.078.017
3	Of which internal rating-based (IRB) approach	-	-	-
<b>4</b>	<b>Counterparty credit risk</b>	<b>6.612.419</b>	<b>5.066.958</b>	<b>528.994</b>
5	Of which standardised approach for counterparty credit risk (SA-CCR)	6.612.419	5.066.958	528.994
6	Of which internal model method (IMM)	-	-	-
<b>7</b>	<b>Equity positions in banking book under market-based approach</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8</b>	<b>Equity investments in funds – look-through approach</b>	<b>10</b>	<b>2.603</b>	<b>1</b>
<b>9</b>	<b>Equity investments in funds – mandate-based approach</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10</b>	<b>Equity investments in funds – fall-back approach</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>11</b>	<b>Settlement risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12</b>	<b>Securitisation exposures in banking book</b>	<b>-</b>	<b>-</b>	<b>-</b>
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
<b>16</b>	<b>Market risk</b>	<b>4.259.080</b>	<b>2.581.955</b>	<b>340.726</b>
17	Of which standardised approach (SA)	4.259.080	2.581.955	340.726
18	Of which internal model approaches (IMM)	-	-	-
<b>19</b>	<b>Operational risk</b>	<b>27.931.004</b>	<b>24.479.544</b>	<b>2.234.480</b>
20	Of which Basic Indicator Approach	27.931.004	24.479.544	2.234.480
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
<b>23</b>	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>2.714.703</b>	<b>2.255.643</b>	<b>217.176</b>
<b>24</b>	<b>Floor adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)</b>		<b>342.492.423</b>	<b>306.434.651</b>	<b>27.399.394</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2020**

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**3.2. Linkages between financial statements and risk amounts**

**3.2.1. Differences and matching between asset and liabilities’ carrying values in financial statements and risk amounts in capital adequacy calculation**

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS				
		Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Financial Assets (Net)	99.163.234	91.536.039	18.261.595	-	4.701.404	141.561
Financial Assets Measured at Amortised Cost (Net)	320.758.318	331.573.051	17.961.018	-	-	42.199
Assets Held For Resale And Related To Discontinued Operations (Net)	709.869	709.869	-	-	-	-
Investment in Subsidiaries, Associates, Joint Ventures	10.056.715	10.056.715	-	-	-	-
Property And Equipment (Net)	4.474.095	4.365.670	-	-	-	108.425
Intangible Assets (Net)	1.916.463	92.909	-	-	-	1.823.554
Tax Asset	3.563.486	3.563.486	-	-	-	-
Other Assets	19.051.878	19.244.795	-	-	-	-
<b>TOTAL ASSETS</b>	<b>459.694.058</b>	<b>461.142.534</b>	<b>36.222.613</b>	<b>-</b>	<b>4.701.404</b>	<b>2.115.739</b>
<b>Liabilities</b>						
Deposits	254.280.156	-	-	-	-	254.280.156
Borrowings	38.280.439	-	-	-	-	38.280.439
Money Markets	27.705.338	-	27.705.338	-	-	-
Marketable Securities Issued (Net)	20.517.422	-	-	-	-	20.517.422
Financial Liabilities Fair Value Through Profit and Loss	12.887.831	-	-	-	-	12.887.831
Derivative Financial Liabilities	10.584.190	-	2.850.144	-	4.119.083	7.734.046
Lease Payables (Net)	1.076.227	-	-	-	-	1.076.227
Provisions	4.368.536	-	-	-	-	4.368.536
Tax Liability	1.920.873	-	-	-	-	1.920.873
Subordinated Debts	22.655.054	-	-	-	-	22.655.054
Other Liabilities	17.853.521	-	-	-	-	17.853.521
Shareholder’s Equity	47.564.471	-	-	-	-	47.564.471
<b>TOTAL LIABILITIES</b>	<b>459.694.058</b>	<b>-</b>	<b>30.555.482</b>	<b>-</b>	<b>4.119.083</b>	<b>429.138.576</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Prior Period	Carrying values of items in accordance with TAS					
	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Financial Assets (Net)	106.477.051	90.941.386	19.649.161	-	3.301.223	112.694
Financial Assets Measured at Amortised Cost (Net)	252.057.151	257.983.529	-	-	-	39.509
Assets Held For Resale And Related To Discontinued Operations (Net)	320.059	320.059	-	-	-	-
Investment in Subsidiaries, Associates, Joint Ventures	7.826.926	7.826.926	-	-	-	-
Property And Equipment (Net)	4.281.326	4.157.428	-	-	-	123.898
Intangible Assets (Net)	1.845.101	72.823	-	-	-	1.772.278
Tax Asset	1.980.629	1.980.629	-	-	-	-
Other Assets	12.707.584	12.816.493	-	-	-	-
<b>TOTAL ASSETS</b>	<b>387.495.827</b>	<b>376.099.273</b>	<b>19.649.161</b>	<b>-</b>	<b>3.301.223</b>	<b>2.048.379</b>
<b>Liabilities</b>						
Deposits	222.790.118	-	-	-	-	222.790.118
Borrowings	38.110.542	-	-	-	-	38.110.542
Money Markets	3.695.744	-	3.695.744	-	-	-
Marketable Securities Issued (Net)	20.703.691	-	-	-	-	20.703.691
Financial Liabilities Fair Value Through Profit and Loss	13.184.605	-	-	-	-	13.184.605
Derivative Financial Liabilities	7.076.433	-	2.679.451	-	2.771.885	4.396.982
Lease Payables (Net)	899.105	-	-	-	-	899.105
Provisions	3.620.181	-	-	-	-	3.620.181
Tax Liability	838.765	-	-	-	-	838.765
Subordinated Debts	18.580.039	-	-	-	-	18.580.039
Other Liabilities	16.808.950	-	-	-	-	16.808.950
Shareholder's Equity	41.187.654	-	-	-	-	41.187.654
<b>TOTAL LIABILITIES</b>	<b>387.495.827</b>	<b>-</b>	<b>6.375.195</b>	<b>-</b>	<b>2.771.885</b>	<b>381.120.632</b>

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**3.2.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

<b>Current Period</b>		<b>Total</b>	<b>Subject To Credit Risk</b>	<b>Subject to the Securitisation</b>	<b>Subject To Counterparty Credit Risk</b>	<b>Subject To Market Risk</b>
1	Asset carrying value amount under scope of regulatory Consolidation (As note 3.2.1 of Section 4)	502.066.551	461.142.534	-	36.222.613	4.701.404
2	Liabilities carrying value amount under regulatory scope of consolidation	34.674.565	-	-	30.555.482	4.119.083
3	<b>Total net amount under regulatory scope of consolidation</b>	<b>467.391.986</b>	<b>461.142.534</b>	-	<b>5.667.131</b>	<b>582.321</b>
4	Off-Balance Sheet Amounts	212.715.655	67.107.642	-	1.477.420	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	-	(18.367.357)	-	(57.298)	3.676.759
9	Differences due to risk reduction	-	(5.402.476)	-	(316.861)	-
	<b>Risk Amounts</b>		<b>504.480.343</b>	-	<b>6.770.392</b>	<b>4.259.080</b>

<b>Prior Period</b>		<b>Total</b>	<b>Subject To Credit Risk</b>	<b>Subject to the Securitisation</b>	<b>Subject To Counterparty Credit Risk</b>	<b>Subject To Market Risk</b>
1	Asset carrying value amount under scope of regulatory Consolidation (As note 3.2.1 of Section 4)	399.049.657	376.099.273	-	19.649.161	3.301.223
2	Liabilities carrying value amount under regulatory scope of consolidation	9.147.080	-	-	6.375.195	2.771.885
3	<b>Total net amount under regulatory scope of consolidation</b>	<b>389.902.577</b>	<b>376.099.273</b>	-	<b>13.273.966</b>	<b>529.338</b>
4	Off-Balance Sheet Amounts	184.268.857	57.961.645	-	1.729.316	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	-	-	-	-	2.052.617
9	Differences due to risk reduction	-	(4.969.862)	-	(10.094.304)	-
	<b>Risk Amounts</b>		<b>429.091.056</b>	-	<b>4.908.978</b>	<b>2.581.955</b>

**3.2.3. Explanations of differences between accounting and regulatory exposure amounts**

There is no difference between amounts reported in the financial statements and valued in accordance with TAS and amounts valued in accordance with TAS in scope of legal consolidation.

Bank's financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the "Fair Value Measurement" policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks' Capital Adequacy. The Bank uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Bank's financials with the same frequency.

The Independent Price Control process (IPV) is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit / loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant's estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.



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Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price (financial instruments which are assets at valuation date) or bid/unwind price (financial instruments which are liabilities at valuation date) for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment (CVA), is defined as market value of counterparty credit risk (CCR), which arises from the possibility of a counterparty's default and considered in regulatory capital adequacy calculations for all CCR exposures.

### **3.3. Explanations on Credit Risk**

#### **3.3.1. General information on credit risk**

##### **3.3.1.1. General qualitative information on credit risk**

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook.

Credit policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks. During the review of credit policies, economic conjuncture, the bank's capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies, key messages are provided based on principles of prudence, continuity about the customer's credit worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management is consisting 2 sub units.

Commercial Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique (issued by BRSA – using internal rating based approach for credit risk calculations) and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for commercial customers. This business unit is also responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting / monitoring strategies for corporate customer segments and putting them into practice through decision support systems.

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Retail Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique (issued by BRSA – using internal rating based approach for credit risk calculations) and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for private individual customers. This business unit is responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting / monitoring strategies for individual loan products and putting them into practice through decision support systems.

Risk Validation is an independent unit directly reporting to the Chief Risk Officer and responsible for the validation of every risk-related model and processes. Validation activities consist of statistical analysis, compliance to regulations and compliance to Bank’s internal policies. Risk Validation has two sub-departments: Regulatory Risk Validation and Strategic Risk Validation. In scope of the Regulatory Risk Validation, there are IRB models, IFRS 9 and Credit and Operational Risks under Pillar II. Strategic Risk Validation, on the other hand, focuses on the validation of Strategy, Managerial Models, Market Risk and other risk types under Pillar II.

Strategic Risk Control is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the Bank for the related topics. The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It makes regular tests of anomaly metrics created with the role of data ownership in the field of credit and collateral and ensures that action is taken to correct and improve data quality and tries to increase the awareness of data quality throughout the Bank. “The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified.

ISEDES report is prepared in accordance with the related guide of BRSA and submitted to the approval of the Board of Directors. The report mainly includes the Bank’s approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

The unit is also responsible for definition of the operational and reputational risk policies, implementation of measurement, monitoring and reporting systems, identification of the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk models setting and development, operational risk weighted asset calculation and risk based insurance activities. It is also responsible for the studies on Information Systems risk inventory, coordination of the Support Services Risk Management Program and setting up the relevant monitoring systems and management, as well as development of the Business Continuity Management Policy&Plans and continuous updating of these policy and plans. It also ensures the actions taken under business continuity and the coordination and control of BCM projects and budget.

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with the Bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by the Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit Committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

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**3.3.1.2. Credit quality of assets**

Current Period	Gross carrying values of as per TAS			Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures			
1 Loans	18.797.134	275.129.711		23.798.323	270.128.522
2 Debt Securities	-	76.419.135		176.521	76.242.614
3 Off-balance sheet exposures	987.003	192.667.782		1.061.681	192.593.104
<b>Total</b>	<b>19.784.137</b>	<b>544.216.628</b>		<b>25.036.525</b>	<b>538.964.240</b>

Prior Period	Gross carrying values of as per TAS			Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures			
1 Loans	18.274.502	222.836.742		17.322.615	223.788.629
2 Debt Securities	-	55.134.302		89.226	55.045.076
3 Off-balance sheet exposures	1.175.798	162.254.940		926.819	162.503.919
<b>Total</b>	<b>19.450.300</b>	<b>440.225.984</b>		<b>18.338.660</b>	<b>441.337.624</b>

**3.3.1.3. Changes in stock of defaulted loans and debt securities**

	Current Period	Prior Period
<b>1 Defaulted loans and debt securities at the end of the previous reporting period</b>	<b>19.450.300</b>	<b>13.458.985</b>
2 Loans and debt securities that have defaulted since the last reporting period	3.480.304	11.166.004
3 Returned to non-defaulted status	84.217	43.356
4 Amounts written off	951.610	3.412.145
5 Other changes	(2.110.640)	(1.719.188)
<b>Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)</b>	<b>19.784.137</b>	<b>19.450.300</b>

**3.3.1.4. Additional disclosure related to the credit quality of assets**

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- For which recovery of principal or interest or both delays for more than ninety days from their terms or due dates (will temporarily be applied 180 days until June 30, 2021) or;
- Which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates (will temporarily be applied 180 days until June 30, 2021) due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

loans and receivables are classified as 'non performing loans' and are transferred to non performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Bank.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by bank.

**3.3.1.4.1. Exposures provisioned against by major regions<sup>(1)</sup>**

	Current Period	Prior Period
Domestic	371.894.197	305.661.700
USA, Canada	113.530	3.628.707
European Union (EU) Countries	5.039.317	4.775.577
OECD Countries	2.173.557	2.257.472
Off-Shore Banking Regions	2.798	130
Other Countries	2.163.561	2.716.471
<b>Total</b>	<b>381.386.960</b>	<b>319.040.057</b>

(1) Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

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#### 3.3.1.4.2. Exposures provisioned against by major sectors<sup>(1)</sup>

	Current Period	Prior Period
<b>Agricultural</b>	<b>5.996.519</b>	<b>9.034.949</b>
Farming and raising livestock	4.523.704	7.599.560
Forestry	1.084.276	1.114.224
Fishing	388.539	321.165
<b>Manufacturing</b>	<b>160.862.758</b>	<b>134.328.052</b>
Mining and Quarrying	1.447.825	1.374.605
Production	109.991.608	89.028.167
Electricity, Gas, Water	49.423.325	43.925.280
<b>Construction</b>	<b>41.820.840</b>	<b>43.228.417</b>
<b>Services</b>	<b>83.889.046</b>	<b>57.045.861</b>
Wholesale and retail trade	17.834.227	8.918.800
Hotel, food and beverage services	10.928.149	8.182.195
Transportation and telecommunication	16.102.344	11.461.872
Financial institutions	16.007.255	10.109.069
Real estate and leasing services	7.740.076	7.588.280
Self-employment services	-	-
Education services	839.740	588.204
Health and social services	14.437.255	10.197.441
<b>Other</b>	<b>88.817.797</b>	<b>75.402.778</b>
<b>Total</b>	<b>381.386.960</b>	<b>319.040.057</b>

(1) Breakdown of cash loans, non-cash loans and non-performing loans by sectors

#### 3.3.1.4.3. Receivables according to remaining maturities:

Receivables according to remaining maturities are explained Note 7 of Section 4.

#### 3.3.1.4.4. Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note 2 of Section 4.

#### 3.3.1.4.5. Exposures provisioned against by major regions :

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 17.016.891 (December 31, 2019- TL 16.920.001) has been set aside for the risk at an amount of TL 12.838.848 (December 31, 2019- TL 11.246.982)

#### 3.3.1.4.6. Aging analysis for overdue receivables <sup>(1)</sup>

Overdue days count	Current Period	Prior Period
1-30 days	1.127.571	1.542.697
31-60 days	707.117	1.303.398
61-90 days	501.435	843.169
91-180 days	998.717	-
<b>Total</b>	<b>3.334.840</b>	<b>3.689.264</b>

(1) Overdue receivables under close monitoring represent overdue of cash loans.

Loans under close monitoring amounting to 43.191.600 TL (December 31, 2019 – TL 32.615.788) are not overdue.

#### 3.3.1.4.7. Breakdown of restructured receivables based on whether or not provisions are allocated:

Provisions are recognized for all non-performing loans in accordance with Provisioning Regulation.

Credit Class	Current Period	Prior Period
Loans restructured from Loans and other receivables under close monitoring	21.091.599	21.176.593
Loans restructured from Loans under legal follow-up	1.744.727	1.350.926
<b>Total</b>	<b>22.836.326</b>	<b>22.527.519</b>

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#### 3.3.1.4.8. Informations related to expected credit losses for loans:

Current Period	Stage1	Stage2	Stage3	Total
<b>Beginning of the period</b>	<b>1.067.470</b>	<b>4.841.241</b>	<b>11.413.904</b>	<b>17.322.615</b>
Additions	1.597.407	3.864.469	4.229.042	9.690.918
Disposals	180.107	1.329.176	1.963.110	3.472.393
Sold (-)	-	-	348.548	348.548
Write offs	-	-	519.820	519.820
Transfer to stage 1	48.667	(48.031)	(636)	-
Transfer to stage 2	(54.170)	61.634	(7.464)	-
Transfer to stage 3	(330)	(248.251)	248.581	-
Foreign currency differences	139.063	986.488	-	1.125.551
<b>End of the period</b>	<b>2.618.000</b>	<b>8.128.374</b>	<b>13.051.949</b>	<b>23.798.323</b>

Prior Period	Stage1	Stage2	Stage3	Total
<b>Beginning of the period</b>	<b>1.229.290</b>	<b>3.609.060</b>	<b>8.854.302</b>	<b>13.692.652</b>
Additions	626.189	958.560	7.410.314	8.995.063
Disposals	483.540	215.113	1.702.977	2.401.630
Sold (-)	-	-	2.568.732	2.568.732
Write offs	-	-	843.413	843.413
Transfer to stage 1	15.052	(14.212)	(840)	-
Transfer to stage 2	(353.697)	392.639	(38.942)	-
Transfer to stage 3	(25.831)	(278.361)	304.192	-
Foreign currency differences	60.007	388.668	-	448.675
<b>End of the period</b>	<b>1.067.470</b>	<b>4.841.241</b>	<b>11.413.904</b>	<b>17.322.615</b>

#### 3.3.2. Credit risk mitigation

##### 3.3.2.1. Qualitative disclosure on credit risk mitigation techniques

The Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

The Bank may use assets and liabilities as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty, the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, Credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintenance of ratable collateral based on a legal framework;
- Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty (economic) and country (political) risk aspects,
- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities
- Determination of acceptable collaterals and collateral related conditions (list of collateral) / (non-parametric condition list)

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In the calculations regarding credit risk mitigation, the Bank performs risk mitigation within the regulations set out in the Credit Risk Mitigation Techniques Notification dated September 6, 2014 and numbered 29111 and uses a comprehensive financial guarantee method for its financial collaterals. With the comprehensive financial collateral method, the relevant volatility adjustments specified in the regulation made on the value of the financial collaterals that are used in calculating the capital requirements.

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

**3.3.2.2. Credit risk mitigation techniques – overview**

<b>Current Period</b>	<b>Exposures unsecured: carrying amount as per TAS</b>	<b>Exposures secured by collateral</b>	<b>Collateralized amount of exposures secured by collateral</b>	<b>Exposures secured by financial guarantees</b>	<b>Collateralized amount of exposures secured by financial guarantees</b>	<b>Exposures secured by credit derivatives</b>	<b>Collateralized amount of exposures secured by credit derivatives</b>
Loans	200.792.016	69.336.505	34.556.134	10.789.657	8.680.038	-	-
Debt securities	76.242.615	-	-	-	-	-	-
<b>Total</b>	<b>277.034.631</b>	<b>69.336.505</b>	<b>34.556.134</b>	<b>10.789.657</b>	<b>8.680.038</b>	-	-
Of which defaulted	2.107.913	3.637.272	932.394	926.661	448.463	-	-

<b>Prior Period</b>	<b>Exposures unsecured: carrying amount as per TAS</b>	<b>Exposures secured by collateral</b>	<b>Collateralized amount of exposures secured by collateral</b>	<b>Exposures secured by financial guarantees</b>	<b>Collateralized amount of exposures secured by financial guarantees</b>	<b>Exposures secured by credit derivatives</b>	<b>Collateralized amount of exposures secured by credit derivatives</b>
Loans	154.691.434	69.097.195	36.857.104	11.903.657	9.616.692	-	-
Debt securities	55.045.076	-	-	-	-	-	-
<b>Total</b>	<b>209.736.510</b>	<b>69.097.195</b>	<b>36.857.104</b>	<b>11.903.657</b>	<b>9.616.692</b>	-	-
Of which defaulted	3.415.412	3.445.186	927.053	733.593	371.782	-	-

**3.3.3. Credit risk under standardised approach****3.3.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk**

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for all the exposures to central governments/central banks, for Financial Institutions, Corporations, Regional Governments, Administrative Bodies and for Multinational Development Banks asset classes of which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated.

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Fitch Ratings’ risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions		Claims on corporates
				Contractual maturity of claims under 3 months	Contractual maturity of claims over 3 months	
1	AAA AA+ AA AA-	0%	20%	20%	20%	20%
2	A+ A A-	20%	50%	20%	50%	50%
3	BBB+ BBB BBB-	50%	100%	20%	50%	100%
4	BB+ BB BB-	100%	100%	50%	100%	100%
5	B+ B B-	100%	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%	150%

**3.3.3.2. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects**

Current Period	Asset classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	121.812.789	122	130.941.289	266.707	-	0,00%
2	Exposures to regional governments or local authorities	646	-	646	-	129	19,97%
3	Exposures to public sector entities	50.895	113.066	50.871	39.536	90.407	100,00%
4	Exposures to multilateral development banks	761.192	25.402	761.192	12.853	-	0,00%
5	Exposures to institutions	30.381.045	16.670.071	30.381.045	2.768.071	9.774.859	29,49%
6	Exposures to corporates	128.732.547	110.001.140	121.715.162	48.972.303	167.652.777	98,22%
7	Retail exposures	92.956.695	71.700.146	87.641.622	6.493.665	70.601.465	75,00%
8	Exposures secured by residential property	9.126.349	171.023	9.126.349	86.775	3.224.593	35,00%
9	Exposures secured by commercial real estate	30.536.355	4.023.560	30.342.654	2.869.207	25.801.500	77,69%
10	Past-due loans	4.123.784	29.190	3.938.462	11.440	2.573.567	65,16%
11	Higher-risk categories by the Agency Board	1.619.634	2.358.730	1.351.273	524.698	2.291.085	122,13%
12	Exposures in the form of collective investment undertaking	20	-	20	-	10	50,00%
13	Investments in equities	9.863.296	-	9.863.296	-	11.492.118	116,51%
14	Other receivables	16.321.207	-	16.321.207	-	10.187.410	62,42%
	<b>Total</b>	<b>446.286.454</b>	<b>205.092.450</b>	<b>442.435.088</b>	<b>62.045.255</b>	<b>303.689.920</b>	<b>60,20%</b>

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Prior Period	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density		
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density	
1	Exposures to central governments or central banks	91.426.756	1.652	101.350.654	228.778	12.348.268	12,16%
2	Exposures to regional governments or local authorities	-	-	-	-	-	0,00%
3	Exposures to public sector entities	53.722	123.222	53.712	49.678	103.390	100,00%
4	Exposures to multilateral development banks	-	21.529	-	10.915	-	0,00%
5	Exposures to institutions	35.396.204	12.265.124	35.460.779	2.486.616	11.977.104	31,56%
6	Exposures to corporates	121.685.788	105.184.606	117.443.002	44.006.942	159.635.668	98,88%
7	Retail exposures	75.284.542	62.019.916	68.154.449	5.984.507	55.604.218	75,00%
8	Exposures secured by residential property	10.587.317	166.939	10.587.317	99.218	3.740.288	35,00%
9	Exposures secured by commercial real estate	12.736.844	2.386.130	12.736.844	1.686.593	7.211.720	50,00%
10	Past-due loans	6.841.923	52.945	6.465.262	31.762	4.986.574	76,75%
11	Higher-risk categories by the Agency Board	18.674	2.046.794	18.605	167.920	278.557	149,34%
12	Exposures in the form of collective investment undertaking	4.997	-	4.997	-	2.602	52,07%
13	Investments in equities	8.309.081	-	8.309.081	-	9.662.467	116,29%
14	Other receivables	13.753.425	-	13.753.425	-	8.755.338	63,66%
	<b>Total</b>	<b>376.099.273</b>	<b>184.268.857</b>	<b>374.338.127</b>	<b>54.752.929</b>	<b>274.306.194</b>	<b>63,93%</b>



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

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#### 3.3.3.3. Standardised approach – exposures by asset classes and risk weights

Current Period												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
1 Exposures to central governments or central banks	131.207.996	-	-	-	-	-	-	-	-	-	-	131.207.996
2 Exposures to regional governments or local authorities	-	-	646	-	-	-	-	-	-	-	-	646
3 Exposures to public sector entities	-	-	-	-	-	-	90.407	-	-	-	-	90.407
4 Exposures to multilateral development banks	774.045	-	-	-	-	-	-	-	-	-	-	774.045
5 Exposures to institutions	-	-	23.019.877	-	9.916.711	-	212.528	-	-	-	-	33.149.116
6 Exposures to corporates	330.804	-	461.746	-	4.668.974	-	165.225.941	-	-	-	-	170.687.465
7 Retail exposures	-	-	-	-	-	94.135.287	-	-	-	-	-	94.135.287
8 Exposures secured by residential property	-	-	-	9.213.124	-	-	-	-	-	-	-	9.213.124
9 Exposures secured by commercial real estate	-	-	-	-	14.545.688	550.069	18.116.104	-	-	-	-	33.211.861
10 Past-due loans	-	-	-	-	2.752.671	-	1.197.231	-	-	-	-	3.949.902
11 Higher-risk categories by the Agency Board	-	-	-	-	133.944	-	777.856	964.171	-	-	-	1.875.971
12 Investments made in collective investment companies	3	-	3	-	10	-	4	-	-	-	-	20
13 Investments in equities	-	-	-	-	-	-	8.777.415	-	-	1.085.881	-	9.863.296
14 Other receivables	6.027.309	-	133.109	-	-	-	10.160.789	-	-	-	-	16.321.207
<b>Total</b>	<b>138.340.157</b>	<b>-</b>	<b>23.615.381</b>	<b>9.213.124</b>	<b>32.017.998</b>	<b>94.685.356</b>	<b>204.558.275</b>	<b>964.171</b>	<b>-</b>	<b>1.085.881</b>	<b>-</b>	<b>504.480.343</b>

  

Prior Period												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
1 Exposures to central governments or central banks	89.231.165	-	-	-	-	-	12.348.267	-	-	-	-	101.579.432
2 Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3 Exposures to public sector entities	-	-	-	-	-	-	103.390	-	-	-	-	103.390
4 Exposures to multilateral development banks	10.915	-	-	-	-	-	-	-	-	-	-	10.915
5 Exposures to institutions	-	-	29.418.770	-	4.910.718	-	3.577.742	40.165	-	-	-	37.947.395
6 Exposures to corporates	330.804	-	714.368	-	1.823.955	-	158.580.817	-	-	-	-	161.449.944
7 Retail exposures	-	-	-	-	-	74.138.956	-	-	-	-	-	74.138.956
8 Exposures secured by residential property	-	-	-	10.686.535	-	-	-	-	-	-	-	10.686.535
9 Exposures secured by commercial real estate	-	-	-	-	14.423.437	-	-	-	-	-	-	14.423.437
10 Past-due loans	-	-	-	-	3.593.852	-	2.330.218	572.954	-	-	-	6.497.024
11 Higher-risk categories by the Agency Board	-	-	-	-	-	-	2.460	184.065	-	-	-	186.525
12 Investments made in collective investment companies	178	-	2.343	-	683	-	1.793	-	-	-	-	4.997
13 Investments in equities	-	-	-	-	-	-	7.406.824	-	-	902.257	-	8.309.081
14 Other receivables	4.914.021	-	105.082	-	-	-	8.734.322	-	-	-	-	13.753.425
<b>Total</b>	<b>94.487.083</b>	<b>-</b>	<b>30.240.563</b>	<b>10.686.535</b>	<b>24.752.645</b>	<b>74.138.956</b>	<b>193.085.833</b>	<b>797.184</b>	<b>-</b>	<b>902.257</b>	<b>-</b>	<b>429.091.056</b>

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**3.4. Explanation on Counterparty credit risk****3.4.1. Qualitative evaluation for Counterparty Credit Risk**

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of “Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks”. These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in “Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2”, considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. In order to mitigate the counterparty credit risk, international framework agreements (ISDA, CSA, GMRA, etc.) are being used through collateral and margin call mechanisms.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

**3.4.2. Assessment of Counterparty Credit Risk according to the models of measurement**

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard Approach-CCR	2.732.040	1.477.420		1,4	4.187.387	3.318.819
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					2.437.769	950.344
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
<b>Total</b>						<b>4.269.163</b>

Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard Approach-CCR	2.166.338	1.729.316		1,4	3.869.598	2.841.880
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					644.011	316.058
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
<b>Total</b>						<b>3.157.938</b>

(1) Effective expected positive exposure

**3.4.3. Credit valuation adjustment (CVA) capital charge**

	Current Period		Prior Period	
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (including 3*multiplier)	-	-	-	-
2 (ii) Stressed Value at Risk (including 3*multiplier)	-	-	-	-
3 All portfolios subject to Standardised CVA capital obligation	4.187.387	2.338.447	3.869.598	1.899.383
<b>Total amount of CVA capital adequacy</b>	<b>4.187.387</b>	<b>2.338.447</b>	<b>3.869.598</b>	<b>1.899.383</b>

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**3.4.4. Standardised approach – CCR exposures by regulatory portfolio and risk weights**

Current Period												Total credit risk <sup>(1)</sup>
Risk Weights/Risk Classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	Other	
Central governments and												
1 central banks receivables	781.548	-	-	-	-	-	-	-	-	-	-	781.548
Local governments and												
2 municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	-
Administrative and non												
3 commercial receivables	-	-	-	-	-	-	-	-	1	-	-	1
Multilateral Development Bank												
4 receivables	-	-	-	-	-	-	-	-	-	-	-	-
Banks and Intermediary												
5 Institutions receivables	-	50.016	95.220	-	295.258	-	2.412.116	-	-	-	-	2.852.610
6 Corporate receivables	-	-	-	-	96	-	51.288	-	2.826.358	-	-	2.877.742
7 Retail receivables	-	-	-	-	-	-	-	8.591	-	-	-	8.591
8 Mortgage receivables	-	-	-	-	-	-	208.625	-	41.275	-	-	249.900
9 Non performing receivables	-	-	-	-	-	-	-	-	-	-	-	-
10 High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity investments	-	-	-	-	-	-	-	-	-	-	-	-
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>781.548</b>	<b>50.016</b>	<b>95.220</b>	<b>-</b>	<b>295.354</b>	<b>-</b>	<b>2.672.029</b>	<b>8.591</b>	<b>2.867.634</b>	<b>-</b>	<b>-</b>	<b>6.770.392</b>

Prior Period												Total credit risk <sup>(1)</sup>
Risk Weights/Risk Classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	Other	
Central governments and												
1 central banks receivables	11.904	-	-	-	-	-	-	-	21.050	-	-	32.954
Local governments and												
2 municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	-
Administrative and non												
3 commercial receivables	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral Development Bank												
4 receivables	-	-	-	-	-	-	-	-	-	-	-	-
Banks and Intermediary												
5 Institutions receivables	-	308.898	86.471	-	607.980	-	1.446.935	-	181.167	-	-	2.631.451
6 Corporate receivables	-	-	-	-	235	-	5.566	-	1.974.314	-	-	1.980.115
7 Retail receivables	-	-	-	-	-	-	-	5.140	-	-	-	5.140
8 Mortgage receivables	-	-	-	-	-	-	259.318	-	-	-	-	259.318
9 Non performing receivables	-	-	-	-	-	-	-	-	-	-	-	-
10 High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-	-
11 Equity investments	-	-	-	-	-	-	-	-	-	-	-	-
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11.904</b>	<b>308.898</b>	<b>86.471</b>	<b>-</b>	<b>608.215</b>	<b>-</b>	<b>1.711.819</b>	<b>5.140</b>	<b>2.176.531</b>	<b>-</b>	<b>-</b>	<b>4.908.978</b>

(1) Counterparty credit risk is not included in the table.

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**3.4.5. Composition of collateral for CCR exposure**

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
		Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-domestic currency	-	3.011	-	-	24.983.551	1.700.842
2	Cash-foreign currency	-	16.519	-	-	2.296.737	-
3	Domestic sovereign debts	-	-	-	-	1.730.242	25.097.712
4	Other sovereign debt	-	2.543	-	-	-	3.637.513
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
<b>Total</b>		-	<b>22.073</b>	-	-	<b>29.010.530</b>	<b>30.436.067</b>

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
		Collaterals Taken		Collaterals Given		Current Period	Collaterals Taken
		Segregated	Unsegregated	Segregated	Unsegregated	Unsegregated	
1	Cash-domestic currency	-	2.594	-	-	2.936.526	10.703.351
2	Cash-foreign currency	-	17.961	-	-	759.218	-
3	Domestic sovereign debts	-	5.501	-	-	10.709.991	4.197.383
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
<b>Total</b>		-	<b>26.056</b>	-	-	<b>14.405.735</b>	<b>14.900.734</b>

**3.4.6. Credit derivatives exposures**

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
<b>Nominal</b>				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	12.525.055	-	12.732.747
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
<b>Total Nominal</b>	-	<b>12.525.055</b>	-	<b>12.732.747</b>
<b>Rediscount Amount</b>	-	<b>(361.910)</b>	-	<b>(229.460)</b>
Positive Rediscount Amount	-	42.819	-	274.073
Negative Rediscount Amount	-	(404.729)	-	(503.533)

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

**3.4.7. Exposures to central counterparties**

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
<b>1 Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		<b>4.809</b>		<b>9.637</b>
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions) ; of which	-	-	-	-
3 (i) OTC Derivatives	141.686	4.738	112.336	3.976
4 (ii) Exchange-traded Derivatives	-	-	-	-
5 (iii) Securities financing transactions	3.550	71	283.033	5.661
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
<b>11 Exposures to non-QCCPs (total)</b>		<b>-</b>		<b>-</b>
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) ; of which )	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

**3.5. Securitisations**

None.

**3.6. Explanations on Market Risk****3.6.1. Qualitative disclosure on market risk**

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Bank on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with the Bank’s risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio / product levels.

Market risks that the Bank is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank’s interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

Models, strategies and processes that are accurate and integrated in accordance with risks the Bank is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles / responsibilities, and regular trainings are the main elements of the Bank’s dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

## Yapı ve Kredi Bankası A.Ş.

### Notes to unconsolidated financial statements as of December 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The Bank implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from Financial assets where fair value change is reflected to income statement and Financial assets where fair value change is reflected to other comprehensive income statement using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the Bank's funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank's subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

#### 3.6.2. Market risk under standardised approach

	Current Period	Prior Period
	Risk Weighted Asset	Risk Weighted Asset
<b>Outright products</b>	<b>4.238.630</b>	<b>2.561.805</b>
1 Interest rate risk (general and specific)	2.377.388	1.624.256
2 Equity risk (general and specific)	-	-
3 Foreign exchange risk	1.861.229	937.549
4 Commodity risk	13	-
<b>Options</b>	<b>20.450</b>	<b>20.150</b>
5 Simplified approach	-	-
6 Delta-plus method	20.450	20.150
7 Scenario approach	-	-
8 Securitisation	-	-
<b>9 Total</b>	<b>4.259.080</b>	<b>2.581.955</b>

#### 3.7. Explanations on Operational Risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2019, 2018 and 2017 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 29511 dated October 23, 2015, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2020, the total amount subject to operational risk is TL 27.931.004 (December 31, 2019 - TL 24.479.544) and the amount of the related capital requirement is TL 2.234.480 (December 31, 2019 - TL 1.958.364).

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Current Period	2 Prior	1 Prior	Current	Total / Total		Total
	Period Value	Period Value	Period value	number of	Rate (%)	
Gross Income	11.623.339	16.919.024	16.147.244	14.896.536	15,00%	2.234.480
<b>Amount subject to operational risk (Total*12,5)</b>						<b>27.931.004</b>

Prior Period	2 Prior	1 Prior	Current	Total / Total		Total
	Period Value	Period Value	Period value	number of	Rate (%)	
Gross Income	10.624.908	11.623.339	16.919.024	13.055.757	15,00%	1.958.364
<b>Amount subject to operational risk (Total*12,5)</b>						<b>24.479.544</b>

**3.8. Banking book interest rate risk**

Interest rate risk means possible losses on financial structure or equity of the Bank by movements in interest rates. Changes in interest rates affect the Bank's earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank's assets for active, passive and off-balance sheet items by changing the economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk has three main reasons:

- Repricing Risk: It is caused by the inconsistency in pricing of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It's due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer's prepayment risk (option risk) is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to three times using behavioral models updated once a year. In addition, Consumer Price Index bonds model and early payment model in real estate and consumer loans are also considered in the calculation of interest rate risk.

Interest rate risk is monitored weekly through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the "Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method", the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2020, based on the significant currencies of the Bank.

Currency	Applied shock (+/- x basis points)	Current Period		Prior Period	
		Gains/Losses	Gains/SE- Losses/SE	Gains/Losses	Gains/SE- Losses/SE
TRY	(+)-500 bp	(3.795.748)	(6,06)%	(2.779.791)	(5,09)%
TRY	(-)-400 bp	3.576.247	5,71%	2.547.494	4,67%
EUR	(+)-200 bp	(123.836)	(0,20)%	(88.345)	(0,16)%
EUR	(-)-200 bp	158.635	0,25%	107.025	0,20%
USD	(+)-200 bp	(1.241.514)	(1,98)%	(126.269)	(0,23)%
USD	(-)-200 bp	1.769.009	2,83%	417.118	0,76%
<b>Total (For negative shocks)</b>		<b>5.503.891</b>	<b>8,79%</b>	<b>3.071.637</b>	<b>5,63%</b>
<b>Total (For positive shocks)</b>		<b>(5.161.098)</b>	<b>(8,25)%</b>	<b>(2.994.405)</b>	<b>(5,49)%</b>

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**4. Explanations on currency risk**

The difference between the Bank’s foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the “Net Foreign Currency Position” and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Bank keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 10.

The Bank’s publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five work days prior to that date are as follows:

(Exchange rates presented as full TL)	USD	EUR
<b>Balance sheet evaluation rate:</b>	<b>7,3405</b>	<b>9,0079</b>
First day current bid rate	7,4063	9,0697
Second day current bid rate	7,4738	9,1370
Third day current bid rate	7,5517	9,2037
Fourth day current bid rate	7,6190	9,2948
Fifth day current bid rate	7,6321	9,3030
<b>Arithmetic average of the last 31 days:</b>	<b>7,7257</b>	<b>9,3956</b>
<b>Balance sheet evaluation rate as of prior period:</b>	<b>5,9402</b>	<b>6,6506</b>



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**Information related to financial position of the Bank**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER FC<sup>(4)</sup></b>	<b>Total</b>
<b>Assets</b>				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	16.153.259	22.115.341	6.258.808	44.527.408
Banks	631.440	7.066.511	88.631	7.786.582
Financial assets where fair value change is reflected to income statement	17.112	646.573	-	663.685
Money market placements	-	-	-	-
Financial assets where fair value change is reflected to other comprehensive income statement	1.002.982	4.147.660	5.601	5.156.243
Loans <sup>(1)</sup>	49.398.338	49.902.299	2.031.237	101.331.874
Investments in associates, subsidiaries and joint ventures	4.241.081	405.191	1.203.097	5.849.369
Financial Assets Measured at Amortised Cost	211.712	19.666.666	-	19.878.378
Hedging derivative financial assets	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets <sup>(2)</sup>	6.642.072	9.176.519	592.027	16.410.618
<b>Total assets</b>	<b>78.297.996</b>	<b>113.126.760</b>	<b>10.179.401</b>	<b>201.604.157</b>
<b>Liabilities</b>				
Bank deposits	879.645	48.892	50.609	979.146
Foreign currency deposits	48.476.971	79.553.266	16.948.646	144.978.883
Funds from money market	2.577.154	-	-	2.577.154
Funds borrowed from other financial institutions	14.712.540	22.823.888	249	37.536.677
Marketable securities issued	90.674	15.192.286	-	15.282.960
Miscellaneous payables	553.153	171.915	9.693	734.761
Hedging derivative financial liabilities	133.875	907.565	-	1.041.440
Other liabilities <sup>(3)</sup>	1.227.868	35.663.272	9.204	36.900.344
<b>Total liabilities</b>	<b>68.651.880</b>	<b>154.361.084</b>	<b>17.018.401</b>	<b>240.031.365</b>
<b>Net on-balance sheet position</b>	<b>9.646.116</b>	<b>(41.234.324)</b>	<b>(6.839.000)</b>	<b>(38.427.208)</b>
<b>Net off-balance sheet position<sup>(5)</sup></b>	<b>(9.001.949)</b>	<b>40.541.716</b>	<b>8.019.988</b>	<b>39.559.755</b>
Financial derivative assets	9.497.755	59.030.334	8.888.736	77.416.825
Financial derivative liabilities	18.499.704	18.488.618	868.748	37.857.070
<b>Net Position</b>	<b>644.167</b>	<b>(692.608)</b>	<b>1.180.988</b>	<b>1.132.547</b>
<b>Non-cash loans</b>	<b>36.499.058</b>	<b>27.553.236</b>	<b>4.612.240</b>	<b>68.664.534</b>
<b>Prior Period</b>				
Total assets	67.068.937	102.603.428	5.307.192	174.979.557
Total liabilities	53.558.831	147.025.829	5.679.591	206.264.251
<b>Net on-balance sheet position</b>	<b>13.510.106</b>	<b>(44.422.401)</b>	<b>(372.399)</b>	<b>(31.284.694)</b>
<b>Net off-balance sheet position<sup>(5)</sup></b>	<b>(13.461.636)</b>	<b>44.487.861</b>	<b>1.281.130</b>	<b>32.307.355</b>
Financial derivative assets	20.046.124	67.176.852	2.642.792	89.865.768
Financial derivative liabilities	33.507.760	22.688.991	1.361.662	57.558.413
<b>Net Position</b>	<b>48.470</b>	<b>65.460</b>	<b>908.731</b>	<b>1.022.661</b>
<b>Non-cash loans</b>	<b>33.196.485</b>	<b>25.624.976</b>	<b>4.269.490</b>	<b>63.090.951</b>

(1) Includes FX indexed loans amounting to TL 376.236 (December 31, 2019 - TL 1.147.274) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 236.064 (December 31, 2019 - TL 317.316).

(3) Does not include foreign currency other comprehensive income and expense under equity.

(4) Other FC column includes also gold balance.

(5) Forward transactions classified as commitments are also included.

**Currency risk sensitivity analysis:**

The table below represents the sensitivity of the Bank to 15% change of currency exchange rates (USD and EUR). 15% change is the assumption of parity change that may be faced according to the Bank's stress test scenarios.

<b>Change in currency exchange rates</b>	<b>Current Period</b>	<b>Prior Period</b>
	<b>Profit/loss effect <sup>(1)</sup></b>	<b>Profit/loss effect <sup>(1)</sup></b>
(+)15%	(428.798)	(148.104)
(-)15%	580.006	148.104

(1) Including tax effect.

**5. Explanations on interest rate risk**

The monitoring of interest rate sensitive assets and liabilities, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

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The Bank utilizes TL/foreign currency and TL/TL interest rate and money swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the balance sheet.

**5.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:**

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	28.795.875	-	-	-	-	26.231.597	55.027.472
Banks	3.276.618	435.863	-	-	-	7.351.646	11.064.127
Financial assets where fair value change is reflected to income statement	83	1.135	737	60.955	544.890	390.750	998.550
Receivables from money markets	1.700.842	-	-	-	-	-	1.700.842
Financial assets where fair value change is reflected to other comprehensive income statement	2.780.391	6.355.517	8.542.316	5.157.989	2.006.501	21.453	24.864.167
Loans <sup>(1)</sup>	36.933.103	38.255.700	97.948.656	86.895.353	15.096.899	(5.001.190)	270.128.521
Financial assets measured at amortised cost	12.339.697	7.807.161	7.957.380	5.217.100	17.420.574	-	50.741.912
Other assets	949.334	1.380.957	1.446.038	1.704.658	133.533	39.553.947	45.168.467
<b>Total assets</b>	<b>86.775.943</b>	<b>54.236.333</b>	<b>115.895.127</b>	<b>99.036.055</b>	<b>35.202.397</b>	<b>68.548.203</b>	<b>459.694.058</b>
<b>Liabilities</b>							
Bank deposits	4.448.966	14.026	-	-	-	1.209.431	5.672.423
Other deposits	119.826.311	33.053.089	6.376.543	19.772	-	89.332.018	248.607.733
Funds from money market	25.127.788	20	1.638.612	938.918	-	-	27.705.338
Miscellaneous payables	-	-	-	-	-	14.515.070	14.515.070
Marketable securities issued	2.770.874	9.747.418	7.996.969	-	2.161	-	20.517.422
Funds borrowed from other financial institutions	2.382.139	27.340.773	7.750.267	583.158	224.102	-	38.280.439
Other liabilities <sup>(2)</sup>	7.557.424	24.650.751	8.651.138	4.312.807	2.031.182	57.192.331	104.395.633
<b>Total liabilities</b>	<b>162.113.502</b>	<b>94.806.077</b>	<b>32.413.529</b>	<b>5.854.655</b>	<b>2.257.445</b>	<b>162.248.850</b>	<b>459.694.058</b>
<b>Balance sheet long position</b>	-	-	<b>83.481.598</b>	<b>93.181.400</b>	<b>32.944.952</b>	-	<b>209.607.950</b>
<b>Balance sheet short position</b>	<b>(75.337.559)</b>	<b>(40.569.744)</b>	-	-	-	<b>(93.700.647)</b>	<b>(209.607.950)</b>
Off-balance sheet long position	16.294.957	34.736.202	-	-	-	-	51.031.159
Off-balance sheet short position	-	-	(8.853.429)	(41.098.309)	(2.881.999)	-	(52.833.737)
<b>Total position</b>	<b>(59.042.602)</b>	<b>(5.833.542)</b>	<b>74.628.169</b>	<b>52.083.091</b>	<b>30.062.953</b>	<b>(93.700.647)</b>	<b>(1.802.578)</b>
<b>Prior Period</b>							
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	19.154.114	-	-	-	-	22.195.862	41.349.976
Banks	9.576.848	641.829	-	-	-	12.320.588	22.539.265
Financial assets where fair value change is reflected to income statement	-	162	4.536	13.874	75.296	473.536	567.404
Receivables from money markets	10.703.351	-	-	-	-	-	10.703.351
Financial assets where fair value change is reflected to other comprehensive income statement	2.677.987	5.877.816	9.044.577	6.875.211	2.202.096	13.619	26.691.306
Loans <sup>(1)</sup>	31.787.228	29.853.370	71.526.932	77.677.597	11.991.615	951.887	223.788.629
Financial assets measured at amortised cost	6.053.199	3.806.311	5.017.522	2.642.601	10.786.026	-	28.305.659
Other assets	987.590	1.258.330	1.013.870	1.212.276	276.361	28.801.810	33.550.237
<b>Total assets</b>	<b>80.940.317</b>	<b>41.437.818</b>	<b>86.607.437</b>	<b>88.421.559</b>	<b>25.331.394</b>	<b>64.757.302</b>	<b>387.495.827</b>
<b>Liabilities</b>							
Bank deposits	3.755.966	54.503	2.129	-	-	1.348.857	5.161.455
Other deposits	133.518.058	27.806.700	7.224.633	78.406	611	49.000.255	217.628.663
Funds from money market	2.936.525	2	759.217	-	-	-	3.695.744
Miscellaneous payables	-	-	-	-	-	14.228.037	14.228.037
Marketable securities issued	2.956.966	9.456.142	8.290.583	-	-	-	20.703.691
Funds borrowed from other financial institutions	4.798.052	22.673.504	9.487.488	621.382	530.116	-	38.110.542
Other liabilities <sup>(2)</sup>	4.825.511	13.823.169	851.080	14.682.728	5.557.694	48.227.513	87.967.695
<b>Total liabilities</b>	<b>152.791.078</b>	<b>73.814.020</b>	<b>26.615.130</b>	<b>15.382.516</b>	<b>6.088.421</b>	<b>112.804.662</b>	<b>387.495.827</b>
<b>Balance sheet long position</b>	-	-	<b>59.992.307</b>	<b>73.039.043</b>	<b>19.242.973</b>	-	<b>152.274.323</b>
<b>Balance sheet short position</b>	<b>(71.850.761)</b>	<b>(32.376.202)</b>	-	-	-	<b>(48.047.360)</b>	<b>(152.274.323)</b>
Off-balance sheet long position	14.504.688	36.048.200	-	-	-	-	50.552.888
Off-balance sheet short position	-	-	(5.106.966)	(39.018.130)	(5.444.705)	-	(49.569.801)
<b>Total position</b>	<b>(57.346.073)</b>	<b>3.671.998</b>	<b>54.885.341</b>	<b>34.020.913</b>	<b>13.798.268</b>	<b>(48.047.360)</b>	<b>983.087</b>

(1) Non-performing loans are shown in net Non-Interest Bearing loss column after being offset by expected loss provisions.

(2) Shareholders' equity is presented under "Non interest bearing".

**Average interest rates for monetary financial instruments:**

The following average interest rates are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets<sup>(1)</sup></b>				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	12,29
Banks	-	-	-	17,78
Financial assets where fair value change is reflected to income statement	3,54	6,17	-	15,59
Receivables from money markets	-	-	-	15,37
Financial assets where fair value change is reflected to other comprehensive income statement	3,26	5,64	-	15,77
Loans	4,50	6,18	-	14,88
Financial assets measured at amortised cost	4,89	6,47	-	15,93
<b>Liabilities<sup>(1)</sup></b>				
Bank deposits	0,05	0,20	-	17,74
Other deposits	0,91	1,51	0,01	15,46
Funds from money market	1,49	-	-	14,48
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	6,31	-	13,54
Funds borrowed from other financial institutions	1,89	2,47	-	10,68
<b>Prior Period</b>	<b>EUR</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets<sup>(1)</sup></b>				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	10,00
Banks	0,10	1,72	-	11,29
Financial assets where fair value change is reflected to income statement	3,38	5,96	-	15,71
Receivables from money markets	-	-	-	9,72
Financial assets where fair value change is reflected to other comprehensive income statement	3,34	5,37	-	13,33
Loans	4,79	7,06	5,15	16,83
Financial assets measured at amortised cost	5,25	5,58	-	13,46
<b>Liabilities<sup>(1)</sup></b>				
Bank deposits	-	1,80	-	11,31
Other deposits	0,57	2,18	0,30	10,96
Funds from money market	1,90	-	-	9,34
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	6,01	-	11,74
Funds borrowed from other financial institutions	1,91	3,98	2,64	11,58

(1) Does not include demand/non-interest transactions.

**6. Explanation on share certificates position risk from banking book:**

None.

**7. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio:**

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored in the Bank under Treasury Management and Risk Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Treasury management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency funding plan of the Bank. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Bank does not function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

## **Yapı ve Kredi Bankası A.Ş.**

### **Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

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Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

“Liquidity Contingency Plan” is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Bank mainly consist of deposits which constitute 55% (December 31, 2019 – 57%) of total liabilities of the Bank and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Bank calculates and reports the Liquidity Coverage Ratio (LCR) in full compliance with the regulations. LCR is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Bank. In addition to the Bank LCR, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey (“CBRT”) accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest outflow amount according to the negative values of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and other secured borrowings. A large part of securities which are subjects of the aforementioned funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out in both CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below for the last three months.

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Average amounts of weekly liquidity coverage ratio calculations related to the last three months of current period are explained in the table below.

Current Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			88.977.457	58.308.125
<b>Cash Outflows</b>				
<b>Retail and Small Business Customers Deposits</b>	<b>164.279.244</b>	<b>96.259.285</b>	<b>14.989.601</b>	<b>9.625.857</b>
Stable deposits	28.766.473	1.434	1.438.324	72
Less stable deposits	135.512.771	96.257.851	13.551.277	9.625.785
<b>Unsecured Funding other than Retail and Small Business</b>				
<b>Customers Deposits</b>	<b>98.358.111</b>	<b>51.490.482</b>	<b>52.796.266</b>	<b>25.316.673</b>
Operational deposits	-	-	-	-
Non-Operational deposits	78.461.113	46.430.598	36.594.936	20.256.789
Other Unsecured funding	19.896.998	5.059.884	16.201.330	5.059.884
<b>Secured funding</b>				
<b>Other Cash Outflows</b>	<b>2.088.551</b>	<b>2.088.551</b>	<b>2.088.551</b>	<b>2.088.551</b>
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.088.551	2.088.551	2.088.551	2.088.551
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
<b>Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments</b>	<b>116.462.876</b>	<b>83.117.808</b>	<b>5.823.144</b>	<b>4.155.890</b>
<b>Other irrevocable or conditionally revocable commitments</b>	<b>87.089.354</b>	<b>11.561.221</b>	<b>8.708.975</b>	<b>3.237.787</b>
<b>Total Cash Outflows</b>			<b>84.406.537</b>	<b>44.424.758</b>
<b>Cash Inflows</b>				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	27.201.926	14.340.078	20.530.073	12.423.246
Other contractual cash inflows	655.502	19.644.127	655.502	19.644.127
<b>Total Cash Inflows</b>	<b>27.857.428</b>	<b>33.984.205</b>	<b>21.185.575</b>	<b>32.067.373</b>
			<b>Capped Amounts</b>	
<b>Total High Quality Liquid Assets</b>			<b>88.977.457</b>	<b>58.308.125</b>
<b>Total Net Cash Outflows</b>			<b>63.220.962</b>	<b>12.357.386</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>140,74</b>	<b>471,85</b>

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of current period are explained in the table below.

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
<b>Week</b>	October 30, 2020	October 30, 2020	December 11, 2020	December 11, 2020
<b>Ratio(%)</b>	340,84	129,66	558,15	152,27

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Average amounts of weekly liquidity coverage ratio calculations related to the last three months of prior period are explained in the table below.

	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
<b>Prior Period</b>				
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			87.314.792	44.183.227
<b>Cash Outflows</b>				
<b>Retail and Small Business Customers Deposits</b>	<b>131.862.269</b>	<b>65.399.524</b>	<b>11.715.273</b>	<b>6.539.873</b>
Stable deposits	29.419.077	1.580	1.470.954	79
Less stable deposits	102.443.192	65.397.944	10.244.319	6.539.794
<b>Unsecured Funding other than Retail and Small Business Customers Deposits</b>	<b>84.797.664</b>	<b>45.707.458</b>	<b>46.175.698</b>	<b>22.610.669</b>
Operational deposits	-	-	-	-
Non-Operational deposits	65.757.266	40.652.351	30.452.955	17.555.562
Other Unsecured funding	19.040.398	5.055.107	15.722.743	5.055.107
<b>Secured funding</b>			<b>20.009</b>	<b>20.009</b>
<b>Other Cash Outflows</b>	<b>2.157.263</b>	<b>2.440.182</b>	<b>2.157.263</b>	<b>2.440.182</b>
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.157.263	2.440.182	2.157.263	2.440.182
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
<b>Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments</b>	<b>98.601.248</b>	<b>68.092.124</b>	<b>4.930.062</b>	<b>3.404.606</b>
<b>Other irrevocable or conditionally revocable commitments</b>	<b>78.737.558</b>	<b>15.373.161</b>	<b>7.964.396</b>	<b>3.411.410</b>
<b>Total Cash Outflows</b>			<b>72.962.701</b>	<b>38.426.749</b>
<b>Cash Inflows</b>				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	31.994.080	17.426.365	25.383.450	16.332.196
Other Contractual Cash Inflows	662.477	28.938.576	662.477	28.938.576
<b>Total Cash Inflows</b>	<b>32.656.557</b>	<b>46.364.941</b>	<b>26.045.927</b>	<b>45.270.772</b>
			<b>Capped Amounts</b>	
<b>Total High Quality Liquid Assets</b>			<b>87.314.792</b>	<b>44.183.227</b>
<b>Total Net Cash Outflows</b>			<b>46.916.774</b>	<b>9.606.688</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>186,11</b>	<b>459,92</b>

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of prior period are explained in the table below.

Prior Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
<b>Week</b>	October 11, 2019	November 1, 2019	November 29, 2019	December 20, 2019
<b>Ratio(%)</b>	385,94	165,84	539,87	212,23

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, see in note 1. of section three)

## Yapı ve Kredi Bankası A.Ş.

### Notes to unconsolidated financial statements as of December 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

#### Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified	Total
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	31.718.122	23.309.350	-	-	-	-	-	55.027.472
Banks	7.351.646	3.276.618	435.863	-	-	-	-	11.064.127
Financial assets where fair value change is reflected to income statement	22	83	1.135	737	60.955	544.890	390.728	998.550
Receivables from money markets	-	1.700.842	-	-	-	-	-	1.700.842
Financial assets where fair value change is reflected to other comprehensive income statement	-	984.973	223.035	2.543.253	17.389.959	3.701.494	21.453	24.864.167
Loans <sup>(1)</sup>	-	36.192.339	28.510.532	85.094.688	99.941.058	25.391.094	(5.001.190)	270.128.521
Financial assets measured at amortised cost	-	82.372	191	1.013.116	23.172.551	26.473.682	-	50.741.912
Other assets	5.602.481	408.011	430.473	974.037	2.411.248	1.390.753	33.951.464	45.168.467
<b>Total assets</b>	<b>44.672.271</b>	<b>65.954.588</b>	<b>29.601.229</b>	<b>89.625.831</b>	<b>142.975.771</b>	<b>57.501.913</b>	<b>29.362.455</b>	<b>459.694.058</b>
<b>Liabilities</b>								
Bank deposits	1.209.431	4.448.966	14.026	-	-	-	-	5.672.423
Other deposits	89.332.018	119.814.597	33.059.975	6.381.371	19.772	-	-	248.607.733
Funds borrowed from other financial institutions	-	1.539.001	2.020.809	26.759.405	7.244.704	716.520	-	38.280.439
Funds from money market	-	25.127.788	20	1.638.612	938.918	-	-	27.705.338
Marketable securities issued	-	1.876.967	1.390.864	720.095	16.436.660	92.836	-	20.517.422
Miscellaneous payables	261.142	13.784.161	120.933	-	-	-	348.834	14.515.070
Other liabilities <sup>(2)</sup>	3.338.451	1.624.918	3.575.614	1.459.220	32.263.865	11.867.800	50.265.765	104.395.633
<b>Total liabilities</b>	<b>94.141.042</b>	<b>168.216.398</b>	<b>40.182.241</b>	<b>36.958.703</b>	<b>56.903.919</b>	<b>12.677.156</b>	<b>50.614.599</b>	<b>459.694.058</b>
<b>Net liquidity gap</b>	<b>(49.468.771)</b>	<b>(102.261.810)</b>	<b>(10.581.012)</b>	<b>52.667.128</b>	<b>86.071.852</b>	<b>44.824.757</b>	<b>(21.252.144)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(1.203.432)</b>	<b>(1.790.386)</b>	<b>1.269.422</b>	<b>(1.339.505)</b>	<b>1.261.323</b>	<b>-</b>	<b>(1.802.578)</b>
Derivative Financial Assets	-	41.362.610	32.431.550	36.369.112	71.255.945	37.103.622	-	218.522.839
Derivative Financial Liabilities	-	42.566.042	34.221.936	35.099.690	72.595.450	35.842.299	-	220.325.417
<b>Non-Cash Loans</b>	<b>-</b>	<b>2.769.066</b>	<b>9.121.743</b>	<b>38.620.638</b>	<b>17.644.892</b>	<b>5.513.093</b>	<b>27.557.848</b>	<b>101.227.281</b>
<b>Prior Period</b>								
Total assets	43.276.782	67.785.308	25.103.241	62.384.845	120.325.561	42.273.294	26.346.796	387.495.827
Total liabilities	54.258.674	157.526.756	34.816.675	38.591.233	44.699.841	13.874.110	43.728.538	387.495.827
<b>Liquidity gap</b>	<b>(10.981.892)</b>	<b>(89.741.448)</b>	<b>(9.713.434)</b>	<b>23.793.612</b>	<b>75.625.720</b>	<b>28.399.184</b>	<b>(17.381.742)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(167.979)</b>	<b>71.764</b>	<b>207.735</b>	<b>23.259</b>	<b>848.308</b>	<b>-</b>	<b>983.087</b>
Derivative Financial Assets	-	45.149.409	38.039.998	31.522.469	69.498.938	39.707.893	-	223.918.707
Derivative Financial Liabilities	-	45.317.388	37.968.234	31.314.734	69.475.679	38.859.585	-	222.935.620
<b>Non-Cash Loans</b>	<b>-</b>	<b>2.407.611</b>	<b>11.890.301</b>	<b>31.273.180</b>	<b>15.494.693</b>	<b>5.010.047</b>	<b>24.038.885</b>	<b>90.114.717</b>

(1) Non-performing loans are presented in the “Unclassified” column after being offset against expected loss provisions.

(2) Shareholders’ equity is presented under the “Other liabilities” item in the “Unclassified” column.

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**Breakdown of financial liabilities according to their remaining contractual maturities:**

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

<b>Current Period<sup>(1)</sup></b>	<b>Demand and up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Above 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Deposits	215.633.757	33.434.580	6.539.771	20.418	-	255.628.526
Borrowings	1.556.018	2.202.173	27.449.549	7.753.903	812.700	39.774.343
Financial Liabilities Fair Value						
Through Profit and Loss	-	213.567	853.984	9.173.905	7.813.040	18.054.496
Funds from money market	25.254.357	9.784	1.647.841	944.206	-	27.856.188
Subordinated debts	331.011	256.087	1.298.043	23.108.191	5.066.769	30.060.101
Marketable securities issued (Net)	1.907.435	1.399.810	724.726	17.255.186	93.433	21.380.590
<b>Total</b>	<b>244.682.578</b>	<b>37.516.001</b>	<b>38.513.914</b>	<b>58.255.809</b>	<b>13.785.942</b>	<b>392.754.244</b>

<b>Prior Period<sup>(1)</sup></b>	<b>Demand and up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Above 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Deposits	187.741.149	28.210.593	8.175.899	97.527	611	224.225.779
Borrowings	2.248.895	2.638.800	27.294.433	4.997.742	2.759.607	39.939.477
Financial Liabilities Fair Value						
Through Profit and Loss	-	341.841	1.483.958	8.482.655	8.393.714	18.702.168
Funds from money market	2.942.343	3	763.556	-	-	3.705.902
Subordinated debts	298.587	208.129	997.530	19.510.304	4.647.788	25.662.338
Marketable securities issued (Net)	2.958.567	2.860.418	1.656.234	14.013.214	378.337	21.866.770
<b>Total</b>	<b>196.189.541</b>	<b>34.259.784</b>	<b>40.371.610</b>	<b>47.101.442</b>	<b>16.180.057</b>	<b>334.102.434</b>

(1) Maturities of non-cash loans are described in Note 3 of Section 5.

**8. Explanations on leverage ratio:**

The main reason for decrease in leverage ratio for the current period is the increase in total exposures.

	<b>Current Period<sup>(1)</sup></b>	<b>Prior Period<sup>(1)</sup></b>
<b>On-Balance sheet exposures</b>		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	468.035.810	377.398.089
(Asset amounts deducted in determining Tier 1 capital)	(4.516.845)	(3.641.674)
Total on-Balance sheet exposures	463.518.965	373.756.415
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	4.156.298	2.000.636
Potential credit risk of derivative financial instruments and credit derivatives	1.821.834	1.786.720
Total derivative financial instruments and credit derivatives exposure	5.978.132	3.787.356
<b>Securities financing transaction exposure</b>		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	1.632.755	448.597
Agent transaction exposures	-	-
Total securities financing transaction exposures	1.632.755	448.597
<b>Off-balance sheet items</b>		
Off-balance sheet exposure at gross notional amount	218.199.061	204.603.371
(Adjustments for conversion to credit equivalent amounts)	(19.870.119)	(19.705.782)
Total risk of off-balance sheet items	198.328.942	184.897.589
<b>Capital and total exposure</b>		
Tier 1 capital	51.617.699	44.447.710
Total exposures	669.458.794	562.889.957
<b>Leverage ratio (%)</b>	<b>7,71</b>	<b>7,91</b>

(1) The arithmetic average of the last three months in the related periods.



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**9. Explanations on the presentation of financial assets and liabilities at fair values:**

The following table summarizes the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Book Value		Fair value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>382.297.893</b>	<b>329.350.825</b>	<b>386.987.398</b>	<b>333.968.296</b>
Due from money market	1.700.842	10.703.351	1.700.842	10.703.351
Banks	11.064.127	22.539.265	11.819.096	22.534.263
Financial assets at fair value through other comprehensive income	24.864.167	26.691.306	24.864.167	26.691.306
Financial assets measured at amortised cost	50.741.912	28.305.659	52.282.209	27.672.853
Loans	293.926.845	241.111.244	296.321.084	246.366.523
<b>Financial Liabilities</b>	<b>363.135.972</b>	<b>327.597.032</b>	<b>364.343.746</b>	<b>329.588.486</b>
Bank deposits	5.672.423	5.161.455	5.676.768	5.163.238
Other deposits	248.607.733	217.628.663	248.723.246	217.527.357
Borrowings	38.280.439	38.110.542	38.112.646	37.880.475
Financial liabilities fair value through profit and loss	12.887.831	13.184.605	12.887.831	13.184.605
Subordinated debts	22.655.054	18.580.039	24.273.721	20.399.518
Marketable securities issued	20.517.422	20.703.691	20.154.464	21.205.256
Miscellaneous payables	14.515.070	14.228.037	14.515.070	14.228.037

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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According to these classification principles stated, the Bank's classification of financial assets and liabilities carried at their fair value are as follows:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets where fair value change is reflected to income statement	276.734	493.370	228.446	998.550
Financial assets where fair value change is reflected to other comprehensive income statement	22.893.003	1.949.711	-	24.842.714
Derivative financial assets	-	5.614.520	-	5.614.520
<b>Total assets</b>	<b>23.169.737</b>	<b>8.057.601</b>	<b>228.446</b>	<b>31.455.784</b>
Financial liabilities at fair value through profit or loss	-	12.887.831	-	12.887.831
Derivative financial liabilities	-	10.584.190	-	10.584.190
<b>Total liabilities</b>	<b>-</b>	<b>23.472.021</b>	<b>-</b>	<b>23.472.021</b>

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets where fair value change is reflected to income statement	98.867	269.484	199.053	567.404
Financial assets where fair value change is reflected to other comprehensive income statement	24.633.459	2.044.228	-	26.677.687
Derivative financial assets	-	4.748.427	-	4.748.427
<b>Total assets</b>	<b>24.732.326</b>	<b>7.062.139</b>	<b>199.053</b>	<b>31.993.518</b>
Financial liabilities at fair value through profit or loss	-	13.184.605	-	13.184.605
Derivative financial liabilities	-	7.076.433	-	7.076.433
<b>Total liabilities</b>	<b>-</b>	<b>20.261.038</b>	<b>-</b>	<b>20.261.038</b>

The Bank classify its buildings carried at their fair value within property and equipment under level 3.

**10. Explanations on hedge accounting:**

The Bank applies the following hedge accounting models: Fair Value Hedge ("FVH") and Cash Flow Hedge ("CFH").

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is classified under, "Derivative financial assets at fair value through profit or loss"; if the fair value is negative, it is classified under "Derivative financial liabilities at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is classified under "Derivative financial assets at fair value through other comprehensive income" if the fair value is negative, it is classified under "Derivative financial liabilities at fair value through other comprehensive income".

Interest rate swap and cross currency interest rate swap are used as hedging instrument in FVH and interest rate swap, currency swap and cross currency interest rate swap are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2020 of these hedging instruments are presented in the table below:

<b>Hedging instrument</b>	<b>Current Period</b>			<b>Prior Period</b>		
	<b>Notional<sup>(1)</sup></b>	<b>Asset</b>	<b>Liability</b>	<b>Notional<sup>(1)</sup></b>	<b>Asset</b>	<b>Liability</b>
Interest rate swap / Currency swap / Cross currency interest rate swap (CFH)	45.922.447	546.658	2.622.928	49.943.888	297.126	2.891.167
Interest rate swap / Cross currency interest rate swap (FVH)	1.970.473	-	620,019	1.853.799	1.690	316.376
<b>Total</b>	<b>47.892.920</b>	<b>546.658</b>	<b>3.242.947</b>	<b>51.797.687</b>	<b>298.816</b>	<b>3.207.543</b>

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 46.755.573 (December 31, 2019 – TL 51.195.946) the total notional of derivative financial assets amounting to TL 94.648.493 (December 31, 2019 – TL 102.993.633) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section 3, Part 4.

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**10.1. Fair value hedge accounting:**

Starting from March 1, 2009, the Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using interest rate swap, cross-currency interest rate swap. Starting from July 28, 2015, the Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with “TAS – 39 Financial Instruments: Recognition and Measurement”.

The impact of application of FVH accounting is summarized below:

<b>Current Period</b>						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item <sup>(1)</sup>	Net fair value of the hedging instrument <sup>(2)</sup>		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup>
				Asset	Liability	
Interest rate swap / Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	2.473	-	620,019	(22.056)

<b>Prior Period</b>						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item <sup>(1)</sup>	Net fair value of the hedging instrument <sup>(2)</sup>		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup>
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	24.529	1.690	316.376	(19.636)

(1) The amount refers to the fair value of the hedged item calculated for Some of fixed interest loan portfolios, foreign currency funds and marketable securities in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

(3) The ineffective portion of the mentioned hedging transaction is TL 30.719 loss (December 31, 2019 - TL 5.896 gain).

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with “TAS 39- Financial Instruments: Recognition and Measurement” and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with “TAS 39- Financial Instruments: Recognition and Measurement”, the effectiveness tests of the relationships are performed in accordance with the Bank’s risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

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### Notes to unconsolidated financial statements as of December 31, 2020

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#### 10.2. Cash flow hedge accounting:

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds <sup>(1)</sup>	Net gain/(loss) reclassified to equity <sup>(2)(3)</sup>
			Asset	Liability		
Interest rate swap / Currency swap / Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	546.658	2.622.928	(976.829)	485.963

  

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds <sup>(1)</sup>	Net gain/(loss) reclassified to equity <sup>(2)(3)</sup>
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	297.126	2.891.167	(1.462.792)	(3.206.096)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 211.163 gain (December 31, 2019 – TL 422.890 gain).

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS – 39 Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS – 39 Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the effectiveness range 80%-125%) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

#### 10.3. Net Investment Hedge:

The Bank hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Bank's EURO denominated borrowing is designated as a hedge of the net investment in the Bank's certain EURO denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2020 is EUR 471 million (December 31, 2019 - EUR 452 million).

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**11. Explanations on the activities carried out on behalf of others and fiduciary transactions:**

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no fiduciary transactions.

**12. Explanations on operating segments:**

The Bank carries out its banking operations through two main business units:

- Retail Banking
- Corporate, Commercial and SME Banking

The Bank's Retail Banking activities include card payment systems, individual, individual portfolio, blue class, private banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, customers who receive their monthly salary/SSI payments through our bank are offered privileges covering various banking transactions. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. Through its Blue Class and Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, mutual funds, foreign exchange, gold and equity trading. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory, education and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate, Commercial and SME Banking segment is organized into three subgroups: Corporate Banking for large-scale, international and multinational companies and Commercial Banking for medium-sized enterprises and SME Banking for SME companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management, internet banking, financial advisory and equity management advisory. SME Banking offer to customers SME loans and SME banking packages products.

The Bank's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Treasury, Asset – Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

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**Major balance sheet and income statement items based on operating segments:**

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

<b>Current Period</b>	<b>Retail banking</b>	<b>Corporate and commercial banking</b>	<b>Treasury, asset-liability management and other</b>	<b>Total operations of the Bank</b>
Operating revenue	9.201.210	8.249.775	6.592.927	24.043.912
Operating expenses	(8.053.781)	(5.758.254)	(4.566.557)	(18.378.592)
<b>Net operating income / (expense)</b>	<b>1.147.429</b>	<b>2.491.521</b>	<b>2.026.370</b>	<b>5.665.320</b>
Dividend income <sup>(1)</sup>	-	-	3.016	3.016
Income/(loss) from investments accounted based on equity method <sup>(1)</sup>	-	-	883.639	883.639
<b>Profit before tax</b>	<b>1.147.429</b>	<b>2.491.521</b>	<b>2.913.025</b>	<b>6.551.975</b>
Tax provision expense <sup>(1)</sup>	-	-	(1.472.457)	(1.472.457)
<b>Net period income</b>	<b>1.147.429</b>	<b>2.491.521</b>	<b>1.440.568</b>	<b>5.079.518</b>
<b>Net profit</b>	<b>1.147.429</b>	<b>2.491.521</b>	<b>1.440.568</b>	<b>5.079.518</b>
Segment asset	101.544.189	168.319.771	179.773.383	449.637.343
Investments in associates, subsidiaries and joint ventures	-	-	10.056.715	10.056.715
<b>Total assets</b>	<b>101.544.189</b>	<b>168.319.771</b>	<b>189.830.098</b>	<b>459.694.058</b>
Segment liabilities	186.032.270	76.891.537	149.205.780	412.129.587
Shareholders' equity	-	-	47.564.471	47.564.471
<b>Total liabilities</b>	<b>186.032.270</b>	<b>76.891.537</b>	<b>196.770.251</b>	<b>459.694.058</b>

<b>Prior Period</b>	<b>Retail banking</b>	<b>Corporate and commercial banking</b>	<b>Treasury, asset-liability management and other</b>	<b>Total operations of the Bank</b>
Operating revenue	9.655.866	9.891.868	58.571	19.606.305
Operating expenses	(6.669.444)	(5.894.790)	(3.493.375)	(16.057.609)
<b>Net operating income / (expense)</b>	<b>2.986.422</b>	<b>3.997.078</b>	<b>(3.434.804)</b>	<b>3.548.696</b>
Dividend income <sup>(1)</sup>	-	-	9.310	9.310
Income/(loss) from investments accounted based on equity method <sup>(1)</sup>	-	-	780.930	780.930
<b>Profit before tax</b>	<b>2.986.422</b>	<b>3.997.078</b>	<b>(2.644.564)</b>	<b>4.338.936</b>
Tax provision expense <sup>(1)</sup>	-	-	(738.876)	(738.876)
<b>Net period income</b>	<b>2.986.422</b>	<b>3.997.078</b>	<b>(3.383.440)</b>	<b>3.600.060</b>
<b>Net profit</b>	<b>2.986.422</b>	<b>3.997.078</b>	<b>(3.383.440)</b>	<b>3.600.060</b>
Segment asset	82.232.054	130.014.639	167.422.208	379.668.901
Investments in associates, subsidiaries and joint ventures	-	-	7.826.926	7.826.926
<b>Total assets</b>	<b>82.232.054</b>	<b>130.014.639</b>	<b>175.249.134</b>	<b>387.495.827</b>
Segment liabilities	154.441.907	69.577.123	122.289.143	346.308.173
Shareholders' equity	-	-	41.187.654	41.187.654
<b>Total liabilities</b>	<b>154.441.907</b>	<b>69.577.123</b>	<b>163.476.797</b>	<b>387.495.827</b>

(1) Related items have not been distributed based on operating segments and presented under “Treasury, Asset-Liability Management and Other”.

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**Section Five - Explanations and notes related to unconsolidated financial statements****1. Explanations and notes related to assets****1.1. Information related to cash and the account of the Central Bank of the Republic of Turkey:****1.1.1. Information on cash and the account of the CBRT:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.388.892	4.582.299	1.488.887	3.019.487
The CBRT(1)	9.111.172	39.945.078	999.602	35.841.927
Other	-	31	-	73
<b>Total</b>	<b>10.500.064</b>	<b>44.527.408</b>	<b>2.488.489</b>	<b>38.861.487</b>

(1) The balance of gold amounting to TL 5.903.518 is accounted for under the Central Bank foreign currency account (December 31, 2019 – TL 2.092.586).

**1.1.2. Information on the account of the CBRT:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount (1)	8.360.849	17.386.051	999.602	21.554.089
Time unrestricted amount	750.323	-	-	-
Time restricted amount	-	-	-	-
Reserve requirement(2)	-	22.559.027	-	14.287.838
<b>Total</b>	<b>9.111.172</b>	<b>39.945.078</b>	<b>999.602</b>	<b>35.841.927</b>

(1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.

(2) The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2013/15, "Decree on Reserve Deposits.

**1.2. Information on financial assets at fair value through profit and loss:**

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2019- None).

**1.3. Information on derivative financial assets:****1.3.1. Positive differences related to derivative financial assets held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	607.047	990	443.084	-
Swap transactions	2.772.117	1.590.678	2.891.149	1.060.008
Futures transactions	-	-	563	-
Options	47.417	49.613	37.260	17.547
Other	-	-	-	-
<b>Total</b>	<b>3.426.581</b>	<b>1.641.281</b>	<b>3.372.056</b>	<b>1.077.555</b>

**1.3.2. Positive differences related to derivative financial assets held for hedging:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges (1)	-	-	1.690	-
Cash flow hedges (1)	546.658	-	254.687	42.439
Hedges for investments made in foreign countries	-	-	-	-
<b>Total</b>	<b>546.658</b>	<b>-</b>	<b>256.377</b>	<b>42.439</b>

(1) Explained in Note 10 of section 4.

**1.4. Information on banks****1.4.1. Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	3.277.545	5.132	3.296.213	267.549
Foreign	-	7.781.450	250	18.975.253
Head quarters and branches abroad	-	-	-	-
<b>Total</b>	<b>3.277.545</b>	<b>7.786.582</b>	<b>3.296.463</b>	<b>19.242.802</b>

## Yapı ve Kredi Bankası A.Ş.

### Notes to unconsolidated financial statements as of December 31, 2020

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#### 1.4.2. Information on foreign banks account

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	563.096	4.976.821	-	-
USA, Canada	6.739.706	12.208.824	435.910	365.275
OECD countries <sup>(1)</sup>	15.270	1.392.918	-	-
Off-shore banking regions	854	497	-	-
Other	26.614	31.168	-	-
<b>Total</b>	<b>7.345.540</b>	<b>18.610.228</b>	<b>435.910</b>	<b>365.275</b>

(1) OECD countries except EU countries, USA and Canada.

#### 1.4.3. Information on money markets receivables

As of December 31, 2020 a total of TL 1.700.842 reverse repo transactions with domestic banks are included in the money market receivables (December 31, 2019 – TL 10.703.351).

#### 1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2020 financial assets at fair value through other comprehensive income given as collateral/blocked amounts to TL 1.327.982 (31 December 2019 - TL 1.540.466), subject to repo transactions amounts to TL 10.946.226 (December 31, 2019 - TL 3.069.033).

#### 1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	25.034.403	26.819.853
Quoted on stock exchange	25.034.403	26.522.842
Not quoted	-	297.011
Share certificates	66.771	58.937
Quoted on stock exchange	-	-
Not quoted	66.771	58.937
Impairment provision (-) <sup>(1)</sup>	237.007	187.484
<b>Total</b>	<b>24.864.167</b>	<b>26.691.306</b>

(1) Includes the negative differences between the acquisition cost and the market price related to the securities portfolio.

#### 1.7. Explanations on loans:

##### 1.7.1. Information on all types of loans or advance balances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
<b>Direct loans granted to shareholders</b>	<b>35.020</b>	<b>-</b>	<b>-</b>	<b>-</b>
Corporate shareholders	35.020	-	-	-
Real person shareholders	-	-	-	-
<b>Indirect loans granted to shareholders</b>	<b>136.055</b>	<b>898.824</b>	<b>35.013</b>	<b>1.199.169</b>
<b>Loans granted to employees</b>	<b>240.380</b>	<b>91</b>	<b>218.897</b>	<b>198</b>
<b>Total</b>	<b>411.455</b>	<b>898.915</b>	<b>253.910</b>	<b>1.199.367</b>



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**1.7.2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:**

Cash Loans	Standard Loans	Loans under close monitoring		
		Not under the scope of restructuring	Loans under restructuring	
			Modifications on agreement conditions	Refinancing
<b>Non-specialized loans</b>	<b>227.901.850</b>	<b>25.434.841</b>	<b>1.816.408</b>	<b>19.275.191</b>
Loans given to enterprises	99.536.756	17.724.524	1.658.007	10.520.835
Export loans	12.791.130	184.776	127.086	6.380.634
Import loans	-	-	-	-
Loans given to financial sector	10.633.388	-	-	-
Consumer loans	47.110.467	2.149.240	-	845.032
Credit cards	31.612.501	1.784.365	-	457.407
Other(1)	26.217.608	3.591.936	31.315	1.071.283
<b>Specialized loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other receivables</b>	<b>701.421</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>228.603.271</b>	<b>25.434.841</b>	<b>1.816.408</b>	<b>19.275.191</b>

(1) Fair value differences of the hedged item amounting to TL 9.796 loss are classified in other loans as explained in Note 10, Section 4.

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	2.618.000	-
Significant increase in credit risk	-	8.128.374
<b>Total</b>	<b>2.618.000</b>	<b>8.128.374</b>

**1.7.3. Loans according to their maturity structure:**

	Standard loans	Loans under close monitoring	
		Not under the scope of restructuring	Agreement conditions modified
Short-term loans	89.092.954	3.029.602	1.507.641
Medium and long-term loans	139.510.317	22.405.239	19.583.958
<b>Total</b>	<b>228.603.271</b>	<b>25.434.841</b>	<b>21.091.599</b>

**1.7.4. Information on loans by types and specific provisions****1.7.4.1. Information on loans by types and specific provisions:**

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	149.880.303	47.110.467	31.612.501	228.603.271
Watch list	41.290.396	2.994.272	2.241.772	46.526.440
Loans under legal follow-up	16.142.078	1.503.018	1.152.038	18.797.134
Specific provisions (-)	10.599.982	1.341.170	1.110.797	13.051.949
<b>Total</b>	<b>196.712.795</b>	<b>50.266.587</b>	<b>33.895.514</b>	<b>280.874.896</b>

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	124.142.253	34.658.164	27.731.273	186.531.690
Watch list	32.656.160	2.251.598	1.397.294	36.305.052
Loans under legal follow-up	15.567.196	1.466.873	1.240.433	18.274.502
Specific provisions (-)	9.253.191	1.108.438	1.052.275	11.413.904
<b>Total</b>	<b>163.112.418</b>	<b>37.268.197</b>	<b>29.316.725</b>	<b>229.697.340</b>

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**1.7.4.2. Specific provisions provided against loans:**

<b>Current Period</b>	<b>Corporate, commercial and other loans</b>	<b>Consumer loans</b>	<b>Credit cards</b>	<b>Total</b>
<b>Opening balance</b>	<b>9.253.191</b>	<b>1.108.438</b>	<b>1.052.275</b>	<b>11.413.904</b>
Impairment	2.987.097	812.305	429.640	4.229.042
Collections (-)	1.036.930	428.391	257.308	1.722.629
Write-off (-)	603.376	151.182	113.810	868.368
<b>Total</b>	<b>10.599.982</b>	<b>1.341.170</b>	<b>1.110.797</b>	<b>13.051.949</b>

<b>Prior Period</b>	<b>Corporate, commercial and other loans</b>	<b>Consumer loans</b>	<b>Credit cards</b>	<b>Total</b>
<b>Opening balance</b>	<b>7.444.315</b>	<b>824.294</b>	<b>585.693</b>	<b>8.854.302</b>
Impairment	5.389.385	1.008.153	1.012.776	7.410.314
Collections (-)	917.146	337.054	184.367	1.438.567
Write-off (-)	2.663.363	386.955	361.827	3.412.145
<b>Total</b>	<b>9.253.191</b>	<b>1.108.438</b>	<b>1.052.275</b>	<b>11.413.904</b>

**1.7.4.3. Fair value of collaterals:**

<b>Current Period</b>	<b>Corporate, commercial and other loans</b>	<b>Consumer loans</b>	<b>Credit cards</b>	<b>Total</b>
Watch List	29.072.640	254.832	-	29.327.472
Loans under legal follow-up	5.786.034	56.573	-	5.842.607
<b>Total</b>	<b>34.858.674</b>	<b>311.405</b>	<b>-</b>	<b>35.170.079</b>

<b>Prior Period</b>	<b>Corporate, commercial and other loans</b>	<b>Consumer loans</b>	<b>Credit cards</b>	<b>Total</b>
Watch List	16.815.858	419.553	-	17.235.411
Loans under legal follow-up	5.475.758	92.439	-	5.568.197
<b>Total</b>	<b>22.291.616</b>	<b>511.992</b>	<b>-</b>	<b>22.803.608</b>

**1.7.5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:**

	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
<b>Consumer loans-TL</b>	<b>909.080</b>	<b>46.834.882</b>	<b>47.743.962</b>
Real estate loans	4.403	11.142.267	11.146.670
Automotive loans	148.664	1.370.366	1.519.030
Consumer loans	756.013	34.322.249	35.078.262
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>13.863</b>	<b>13.863</b>
Real estate loans	-	13.863	13.863
Automotive loans	-	-	-
Consumer loans	-	-	-
<b>Individual credit cards-TL</b>	<b>23.678.255</b>	<b>405.180</b>	<b>24.083.435</b>
With installments	12.218.657	156.702	12.375.359
Without installments	11.459.598	248.478	11.708.076
<b>Individual credit cards-FC</b>	<b>14.502</b>	<b>-</b>	<b>14.502</b>
With installments	-	-	-
Without installments	14.502	-	14.502
<b>Personnel loans-TL</b>	<b>11.825</b>	<b>92.989</b>	<b>104.814</b>
Real estate loans	-	1.774	1.774
Automotive loans	36	425	461
Consumer loans	11.789	90.790	102.579
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
<b>Personnel credit cards-TL</b>	<b>129.802</b>	<b>788</b>	<b>130.590</b>
With installments	61.517	712	62.229
Without installments	68.285	76	68.361
<b>Personnel credit cards-FC</b>	<b>124</b>	<b>-</b>	<b>124</b>
With installments	-	-	-
Without installments	124	-	124
<b>Credit deposit account-TL (real person)(1)</b>	<b>2.242.100</b>	<b>-</b>	<b>2.242.100</b>
<b>Total</b>	<b>26.985.688</b>	<b>47.347.702</b>	<b>74.333.390</b>

(1) TL 4.852 of the credit deposit account belongs to the loans used by personnel.

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**1.7.6. Information on commercial installment loans and corporate credit cards:**

	Short-term	Medium and long-term	Total
<b>Commercial installments loans-TL</b>	<b>5.660.317</b>	<b>13.966.107</b>	<b>19.626.424</b>
Business loans	2.493	832.603	835.096
Automotive loans	251.041	2.297.184	2.548.225
Consumer loans	5.406.783	10.836.320	16.243.103
<b>Commercial installments loans-FC indexed</b>	<b>-</b>	<b>9.387</b>	<b>9.387</b>
Business loans	-	572	572
Automotive loans	-	4.568	4.568
Consumer loans	-	4.247	4.247
<b>Corporate credit cards-TL</b>	<b>9.502.171</b>	<b>122.884</b>	<b>9.625.055</b>
With installment	6.670.356	112.661	6.783.017
Without installment	2.831.815	10.223	2.842.038
<b>Corporate credit cards-FC</b>	<b>567</b>	<b>-</b>	<b>567</b>
With installment	-	-	-
Without installment	567	-	567
<b>Credit deposit account-TL (legal person)</b>	<b>897.893</b>	<b>-</b>	<b>897.893</b>
<b>Total</b>	<b>16.060.948</b>	<b>14.098.378</b>	<b>30.159.326</b>

**1.7.7. Distribution of by users:**

	Current Period	Prior Period
Public	4.650.458	2.891.413
Private	270.479.253	219.945.329
<b>Total</b>	<b>275.129.711</b>	<b>222.836.742</b>

**1.7.8. Distribution of domestic and foreign loans:**

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	271.933.805	220.045.472
Foreign loans	3.195.906	2.791.270
<b>Total</b>	<b>275.129.711</b>	<b>222.836.742</b>

**1.7.9. Loans granted to associates and subsidiaries:**

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	1.245.321	288.721
Indirect loans granted to associates and subsidiaries	-	-
<b>Total</b>	<b>1.245.321</b>	<b>288.721</b>

**1.7.10. Information on credit-impaired (Stage 3):**

	Current Period	Prior Period
Loans with limited collectability	823.398	1.802.062
Loans with doubtful collectability	478.083	1.987.691
Uncollectable loans	11.750.468	7.624.151
<b>Total</b>	<b>13.051.949</b>	<b>11.413.904</b>

**1.7.11. Information on non-performing loans (net):****1.7.11.1. Information on restructured loans from non-performing loans:**

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
<b>Current Period</b>			
<b>Gross amounts before specific reserves</b>	<b>395</b>	<b>171.111</b>	<b>1.573.221</b>
Restructured loans	395	171.111	1.573.221
<b>Prior Period</b>			
<b>Gross amounts before specific reserves</b>	<b>187.399</b>	<b>238.221</b>	<b>925.306</b>
Restructured loans	187.399	238.221	925.306

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**1.7.11.2. Information on the movement of total non-performing loans:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Prior Period</b>	<b>3.469.288</b>	<b>3.755.551</b>	<b>11.049.663</b>
Additions (+)	1.995.350	976.934	508.020
Transfers from other categories of non- performing loans (+)	-	3.872.615	7.189.402
Transfer to other categories of non- performing loans (-)	3.872.615	7.189.402	-
Collections (-)	423.111	605.732	977.219
Write-offs (-)	-	-	603.062
Sold (-)	-	-	348.548
Corporate and commercial loans	-	-	348.548
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Current Period</b>	<b>1.168.912</b>	<b>809.966</b>	<b>16.818.256</b>
Specific provision (-)	823.398	478.083	11.750.468
<b>Net balance on balance sheet</b>	<b>345.514</b>	<b>331.883</b>	<b>5.067.788</b>

As of December 31, 2020, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Bank has written off SME, credit cards and consumer loans amounting to TL 596.118 that are classified under group five, more than 540 days overdue and after collaterals deducted approximately 100% provisioned hence there is no reasonable expectation of recovery. After the loans had written off within the period in accordance with the changes on Provisioning Regulation, non performing loan ratio decreased from 6,59% to 6,40%.

**1.7.11.3. Information on non-performing loans granted as foreign currency loans:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period</b>			
Period end balance	390.728	164.643	7.968.927
Specific provision (-)	192.011	52.102	4.671.518
<b>Net balance on-balance sheet</b>	<b>198.717</b>	<b>112.541</b>	<b>3.297.409</b>
<b>Prior Period</b>			
Period end balance	1.957.788	1.877.846	4.060.849
Specific provision (-)	1.029.665	759.643	2.260.353
<b>Net balance on-balance sheet</b>	<b>928.123</b>	<b>1.118.203</b>	<b>1.800.496</b>

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**1.7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period (net)</b>	<b>345.514</b>	<b>331.883</b>	<b>5.067.788</b>
Loans granted to real persons and corporate entities (gross)	1.168.912	809.966	16.733.582
Provision amount (-)	823.398	478.083	11.665.794
Loans granted to real persons and corporate entities (net)	345.514	331.883	5.067.788
Banks (gross)	-	-	774
Provision amount (-)	-	-	774
Banks (net)	-	-	-
Other loans (gross)	-	-	83.900
Provision amount (-)	-	-	83.900
Other loans (Net)	-	-	-
<b>Prior Period (net)</b>	<b>1.667.226</b>	<b>1.767.860</b>	<b>3.425.512</b>
Loans granted to real persons and corporate entities (gross)	3.469.288	3.755.551	10.936.580
Specific provision amount (-)	1.802.062	1.987.691	7.511.068
Loans granted to real persons and corporate entities (Net)	1.667.226	1.767.860	3.425.512
Banks (gross)	-	-	29.183
Specific provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.900
Specific provision amount (-)	-	-	83.900
Other loans and receivables (Net)	-	-	-

**1.7.11.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period (net)</b>	<b>3.450</b>	<b>26.342</b>	<b>236.026</b>
Interest accruals and rediscounts and valuation differences	186.847	87.171	1.211.069
Provision amount (-)	183.397	60.829	975.043
<b>Prior Period (net)</b>	<b>77.251</b>	<b>72.178</b>	<b>133.953</b>
Interest accruals and rediscounts and valuation differences	266.994	245.097	689.893
Provision amount (-)	189.743	172.919	555.940

**1.7.12. Explanation on liquidation policy for uncollectible loans and receivables:**

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

**1.7.13. Explanation on write-off policies:**

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

Besides, in accordance with the changes on “Provisioning Regulation” published in the Official Gazette No. 30961 dated November 27, 2019 by the BRSA, the Bank, in line with TFRS 9, may write off part of the loans for which the Bank has no reasonable expectation of recovery and that are classified under group five with a life time expected credit loss due to default of debtor, starting from the following reporting date that the loan is classified in group five. Write off is only an accounting application in accordance with the related change in the regulation and it does not result in waive from the Bank’s right to receive.

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**1.8. Information on financial assets at amortized cost:****1.8.1. Characteristics and carrying values of financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:**

As of December 31, 2020 financial assets measured at amortised cost given as collateral/blocked amounts to TL 20.070.137 (December 31, 2019 - TL 13.856.497). Subject to repo transactions amounting to TL 17.961.020 (December 31, 2019 - TL 1.128.350).

**1.8.2. Information on public sector debt securities measured at amortized cost:**

	Current Period	Prior Period
Government bond	50.411.108	27.974.855
Treasury bill	-	-
Other public sector debt securities	330.804	330.804
<b>Total</b>	<b>50.741.912</b>	<b>28.305.659</b>

**1.8.3. Information on financial assets measured at amortized cost:**

	Current Period	Prior Period
Debt securities	52.056.190	29.180.120
Quoted on stock exchange	52.056.190	29.180.120
Not quoted	-	-
Impairment provision (-) <sup>(1)</sup>	1.314.278	874.461
<b>Total</b>	<b>50.741.912</b>	<b>28.305.659</b>

(1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities

**1.8.4. Movement of financial assets measured at amortized cost within the period:**

	Current Period	Prior Period
<b>Beginning balance</b>	<b>28.305.659</b>	<b>21.675.166</b>
Foreign currency differences on monetary assets <sup>(1)</sup>	4.799.139	2.204.788
Purchases during the year	20.429.342	4.807.224
Disposals through sales and redemptions(-)	2.352.411	148.099
Impairment provision (-) <sup>(2)</sup>	439.817	233.420
<b>Period end balance</b>	<b>50.741.912</b>	<b>28.305.659</b>

(1) Also includes the changes in the interest income accruals.

(2) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities.

**1.9. Information on investments in associates (net):****1.9.1. Information on unconsolidated investments in associates:**

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting group percentage (%)	Bank's risk share holding percentage (%)
1.	Banque de Commerce et de Placements S.A.	Geneva/Switzerland	30,67	30,67
2.	Kredi Kayıt Bürosu <sup>(1)</sup>	Istanbul/Turkey	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş. <sup>(1)</sup>	Istanbul/Turkey	4,89	4,89

(1) Financial statement information disclosed above shows September 30, 2020 results.

**1.9.2. Main financial figures of the investments in associates in the order of the above table:**

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	28.803.914	4.213.929	26.933	428.848	74.809	42.729	180.015	-
2.	411.660	265.464	249.099	5.882	-	48.549	26.579	-
3.	272.800	217.454	79.381	6.083	-	35.413	28.503	-

## Yapı ve Kredi Bankası A.Ş.

### Notes to unconsolidated financial statements as of December 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### 1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>908.358</b>	<b>790.241</b>
<b>Movements during the period</b>	<b>306.525</b>	<b>118.117</b>
Purchases	-	-
Free shares obtained profit from current year's share	5.686	-
Profit from current year's income	-	19.070
Sales(-)	-	-
Revaluation (decrease) / increase <sup>(1)</sup>	320.272	114.699
Impairment provision (-) <sup>(2)</sup>	19.433	15.652
<b>Balance at the end of the period</b>	<b>1.214.883</b>	<b>908.358</b>
<b>Capital commitments</b>	-	-
<b>Shareholding percentage at the end of the period (%)</b>	-	-

(1) Includes the differences in the other comprehensive income related with the equity method accounting.

(2) Includes dividend income received in the current period.

#### 1.9.4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

	Current Period	Prior Period
Banks	1.203.097	902.257
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
<b>Total</b>	<b>1.203.097</b>	<b>902.257</b>

#### 1.9.5. Information on investments in associates quoted on a stock exchange:

None (December 31, 2019 - None).

#### 1.10. Information on shareholders' equity of the significant subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

#### 1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
<b>Core capital</b>					
Paid in capital	98.918	60.714	389.928	7.642	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other capital reserves	95.737	-	(217.104)	-	-
Other accumulated comprehensive income that will not be classified in profit or loss	51.977	(2.320)	1.795	(1.225)	-
Other accumulated comprehensive income that will be classified in profit or loss	1.010	-	-	-	2.482.544
Legal reserves	62.493	8.034	79.305	34.308	-
Extraordinary reserves	163.710	248.461	659.399	-	923.789
Other profit Reserves	-	-	-	-	-
Income or Loss	143.788	191.820	1.992.478	103.423	158.402
Current Year Income/Loss	213.734	90.062	354.776	103.423	158.402
Prior Years' Income/Loss	(69.946)	101.758	1.637.702	-	-
Leasehold improvements (-)	180	214	-	227	253
Intangible assets (-)	30.053	4.587	11.830	421	6.251
<b>Total core capital</b>	<b>587.400</b>	<b>501.908</b>	<b>2.893.971</b>	<b>143.500</b>	<b>3.670.673</b>
<b>Supplementary capital</b>	<b>28.565</b>	<b>616</b>	<b>7.593</b>	-	<b>24.535</b>
<b>Capital</b>	<b>615.965</b>	<b>502.524</b>	<b>2.901.564</b>	<b>143.500</b>	<b>3.695.208</b>
<b>Deductions from the capital</b>	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>615.965</b>	<b>502.524</b>	<b>2.901.564</b>	<b>143.500</b>	<b>3.695.208</b>

The above information is based on the consolidated financial statements of the Bank as of December 31, 2020.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

## Yapı ve Kredi Bankası A.Ş.

### Notes to unconsolidated financial statements as of December 31, 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

#### 1.10.2. Information on subsidiaries:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1	Yapı Kredi Holding B.V.	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring A.Ş.	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi Niderland N.V.	Amsterdam/Holland	67,24	100,00
7	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
8	Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,96	99,99
9	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	Istanbul/Turkey	99,99	100,00
10	Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

#### 1.10.3. Main financial figures of the subsidiaries in order of the above table:

Financial statement information disclosed consolidated financial statements results.

	Total assets	Shareholders' equity	Total fixed assets	Interest income	om marketable ities portfolio	Current period profit / loss	Prior period profit / loss	Market value	Required equity
1	238.044	237.521	-	-	-	(1.234)	(134)	-	-
2	4.401.805	617.633	61.135	183.764	15.251	213.734	112.745	-	-
3	4.651.404	506.709	8.710	371.690	-	90.062	110.521	-	-
4	12.452.368	2.905.801	15.550	878.416	-	354.776	361.715	-	-
5	169.006	144.148	2.174	11.494	-	103.423	46.972	-	-
6	15.031.915	3.677.178	13.800	469.738	25.228	158.402	133.933	-	-
7	1.575.331	406.003	65.780	75.522	5.660	7.308	19.056	-	-
8	57.301	44.457	4.744	2.682	-	3.513	12.156	-	-
9	57.748	45.170	1.504	417	-	11.808	6.326	-	-
10	21.635	16.997	1.663	1.287	-	4.429	3.796	-	-

#### 1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>6.888.953</b>	<b>5.971.254</b>
<b>Movements in period</b>	<b>1.922.705</b>	<b>917.699</b>
Purchases	-	-
Free shares obtained profit from current years share	-	335
Dividends from current year income	883.080	760.710
Sales(-)	-	-
Revaluation increase/decrease <sup>(1)</sup>	1.159.882	324.148
Impairment provision (-) <sup>(2)</sup>	120.257	167.494
<b>Balance at the end of the period</b>	<b>8.811.658</b>	<b>6.888.953</b>
<b>Capital commitments</b>	-	-
<b>Shareholding percentage at the end of the period (%)</b>	-	-

(1) Includes the shares taken from the other comprehensive income according to the equity method.

(2) Includes dividend income received in the current period.



**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

**1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:**

Financial subsidiaries	Current Period	Prior Period
Banks	2.877.842	2.058.889
Insurance companies	-	-
Factoring companies	506.468	417.051
Leasing companies	2.905.625	2.551.230
Finance companies	-	-
Other financial subsidiaries	2.521.723	1.861.783
<b>Total</b>	<b>8.811.658</b>	<b>6.888.953</b>

**1.10.6. Subsidiaries quoted on stock exchange:**

None (December 31, 2020 - None).

**1.11. Information on joint ventures (net):**

Joint ventures in unconsolidated financial statements are accounted and monitored at equity method according to “TAS – 27 Individual Financial Statements”.

	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi – Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	97.752	84.222	36.950	60.802	5.721	58.042	54.879

**1.12. Information on lease receivables (net):**

None (December 31, 2019 - None).

**1.13. Information on tangible assets:**

	Immovable	Leased fixed assets	Vehicles	Right -of-use assets <sup>(1)</sup>	Other tangible fixed assets	Total
<b>Prior Period</b>						
Cost	3.514.635	205.691	2.639	1.112.265	1.588.440	6.423.670
Accumulated depreciation (-)	916.711	204.104	2.501	213.999	805.029	2.142.344
<b>Net book value</b>	<b>2.597.924</b>	<b>1.587</b>	<b>138</b>	<b>898.266</b>	<b>783.411</b>	<b>4.281.326</b>
<b>Current Period</b>						
<b>Net book value at beginning of the period</b>	<b>2.597.924</b>	<b>1.587</b>	<b>138</b>	<b>898.266</b>	<b>783.411</b>	<b>4.281.326</b>
Additions	4.665	10.749	160	497.321	285.607	798.502
Transfer	3.751	-	-	-	-	3.751
Disposals (-) net	24.637	-	-	73.991	2.361	100.989
Reversal of impairment	-	-	-	-	-	-
Impairment (-)	74	-	-	-	-	74
Depreciation (-)	28.452	844	94	292.698	186.333	508.421
<b>Net book value at end of the period</b>	<b>2.553.177</b>	<b>11.492</b>	<b>204</b>	<b>1.028.898</b>	<b>880.324</b>	<b>4.474.095</b>
Cost at the end of the period	3.478.259	197.749	2.800	1.383.317	1.813.901	6.876.026
Accumulated depreciation at the period end (-)	925.082	186.257	2.596	354.419	933.577	2.401.931
<b>Net book value</b>	<b>2.553.177</b>	<b>11.492</b>	<b>204</b>	<b>1.028.898</b>	<b>880.324</b>	<b>4.474.095</b>

(1) Includes branch and atm leases accounted within the scope of TFRS 16.

As of December 31, 2020, the Bank had total provision for impairment amounting to TL 207.329 (December 31, 2019 – TL 207.255) for the property and equipment.

**1.14. Information on intangible assets:**

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>1.845.101</b>	<b>1.749.439</b>
Additions during the period	253.264	236.330
Unused and disposed items (-)	323	7
Impairment reversal	(3.751)	-
Amortization expenses (-)	177.828	140.661
<b>Balance at the end of the period</b>	<b>1.916.463</b>	<b>1.845.101</b>

**1.15. Information on investment property:**

None (December 31, 2019 - None).

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**1.16. Information on deferred tax :**

	Current Period		Prior Period	
	Tax base	Deferred tax	Tax base	Deferred tax
Expected credit loss	11.568.720	2.313.744	6.384.341	1.404.555
Derivative financial assets	4.469.772	893.954	1.973.180	434.099
Pension fund provision	1.461.542	292.308	1.178.063	259.174
Temporary differences	804.128	160.825	753.110	165.684
Subsidiaries, investment in associates and share certificates	131.456	26.291	131.456	28.921
Other	2.515.177	503.036	1.927.238	423.994
<b>Total deferred tax asset</b>	<b>20.950.795</b>	<b>4.190.158</b>	<b>12.347.388</b>	<b>2.716.427</b>
Property, equipment and intangibles, net	2.929.813	384.986	2.779.475	363.579
Valuation difference of securities portfolio	91.031	18.206	542.008	119.243
Other	1.117.345	223.480	1.149.885	252.976
<b>Total deferred tax liability</b>	<b>4.138.189</b>	<b>626.672</b>	<b>4.471.368</b>	<b>735.798</b>
<b>Deferred tax asset / (liability) net</b>	<b>16.812.606</b>	<b>3.563.486</b>	<b>7.876.020</b>	<b>1.980.629</b>

In accordance with TAS 12, deferred tax assets and deferred tax liabilities in the financial statements are clarified and deferred tax asset amounting to TL 3.563.486 is presented in the financial statements (December 31, 2019 – TL 1.980.629 deferred tax assets).

**1.17. Movement schedule of assets held for resale and related to discontinued operations:**

	Current Period	Prior Period
<b>Net book value at the beginning of the period</b>	<b>320.059</b>	<b>288.349</b>
Additions	772.522	214.920
Disposals (-), net	383.773	184.199
Impairment provision reversal	1.061	989
Depreciation (-)	-	-
<b>Net book value at the end of the period</b>	<b>709.869</b>	<b>320.059</b>
Cost at the end of the period	715.652	326.814
Accumulated depreciation at the end of the period (-)	5.783	6.755
<b>Net book value at the end of the period</b>	<b>709.869</b>	<b>320.059</b>

As of December 31, 2020, the Bank booked impairment provision on assets held for resale with an amount of TL 2.639 (December 31, 2019 – TL 3.700).

**1.18. Information on other assets:**

As of December 31, 2020, other assets do not exceed 10% of the total assets.

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**2. Explanations and notes related to liabilities****2.1. Information on deposits:****2.1.1. Information on maturity structure of deposits/collected funds:**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6 Months-1 Year</b>	<b>1 Year and over</b>	<b>Cumulative savings account</b>	<b>Total</b>
Saving deposits	14.232.109	2.592.523	41.599.520	645.511	225.321	217.600	1.080	59.513.664
Foreign currency deposits	49.793.033	12.435.142	56.910.086	5.548.490	3.469.241	2.245.196	-	130.401.188
Residents in Turkey	48.931.106	12.212.775	55.382.710	5.402.452	3.315.058	765.298	-	126.009.399
Residents abroad	861.927	222.367	1.527.376	146.038	154.183	1.479.898	-	4.391.789
Public sector deposits	1.235.151	10.448	10.547	31	535	666	-	1.257.378
Commercial deposits	10.971.604	12.260.881	17.114.626	37.237	13.804	82.642	-	40.480.794
Other institutions deposits	158.217	111.850	1.522.255	2.974	580.958	760	-	2.377.014
Precious metals vault	12.941.904	-	-	252	1.528.913	106.626	-	14.577.695
Bank deposits	1.209.431	3.083.428	886.592	405.881	87.091	-	-	5.672.423
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.834	3.068.232	815.619	405.881	87.091	-	-	4.384.657
Foreign banks	921.012	15.196	70.973	-	-	-	-	1.007.181
Participation banks	280.585	-	-	-	-	-	-	280.585
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>90.541.449</b>	<b>30.494.272</b>	<b>118.043.626</b>	<b>6.640.376</b>	<b>5.905.863</b>	<b>2.653.490</b>	<b>1.080</b>	<b>254.280.156</b>

<b>Prior Period</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6 Months-1 Year</b>	<b>1 Year and over</b>	<b>Cumulative savings account</b>	<b>Total</b>
Saving deposits	10.543.930	18.796.392	31.451.383	1.073.202	808.902	689.985	1.110	63.364.904
Foreign currency deposits	25.958.802	12.031.755	64.746.566	2.958.957	3.227.974	5.479.798	-	114.403.852
Residents in Turkey	25.549.840	11.809.616	63.369.729	2.909.309	1.648.453	848.199	-	106.135.146
Residents abroad	408.962	222.139	1.376.837	49.648	1.579.521	4.631.599	-	8.268.706
Public sector deposits	1.293.752	3.080	8.286	878	98	45	-	1.306.139
Commercial deposits	8.684.777	11.184.504	12.238.066	329.005	584.804	92.787	-	33.113.943
Other institutions deposits	156.583	198.278	651.990	402.394	428.821	49.131	-	1.887.197
Precious metals vault	2.362.411	206.882	571.548	95.928	250.328	65.531	-	3.552.628
Bank deposits	1.348.857	2.614.483	854.082	286.875	57.158	-	-	5.161.455
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.262	2.536.377	596.437	286.875	57.158	-	-	3.484.109
Foreign banks	418.089	78.106	257.645	-	-	-	-	753.840
Participation banks	923.506	-	-	-	-	-	-	923.506
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>50.349.112</b>	<b>45.035.374</b>	<b>110.521.921</b>	<b>5.147.239</b>	<b>5.358.085</b>	<b>6.377.277</b>	<b>1.110</b>	<b>222.790.118</b>

**2.1.2. Information on saving deposits insurance:****2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:**

<b>Saving deposits</b>	<b>Under the guarantee of deposit insurance</b>		<b>Exceeding limit of the deposit insurance</b>	
	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
Saving deposits	32.209.587	34.874.683	27.303.539	28.484.119
Foreign currency saving deposits	18.646.132	15.109.791	54.531.674	44.024.178
Other deposits in the form of saving deposits	6.731.306	1.642.752	6.041.089	1.544.417
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

**2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:**

	<b>Current Period</b>	<b>Prior Period</b>
Foreign branches' deposits and other accounts	12.611	10.094
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	258.641	485.958
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

**Yapı ve Kredi Bankası A.Ş.****Notes to unconsolidated financial statements as of December 31, 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**2.2. Information on trading derivative financial liabilities:****2.2.1. Negative differences table for derivative financial liabilities held for trading:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	161.115	896	102.780	-
Swap transactions	5.166.378	1.961.908	2.514.699	1.204.516
Futures transactions	3.423	-	-	-
Options	31.063	16.460	29.672	17.223
Other	-	-	-	-
<b>Total</b>	<b>5.361.979</b>	<b>1.979.264</b>	<b>2.647.151</b>	<b>1.221.739</b>

**2.2.2. Negative differences table for derivative financial liabilities held for hedging:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges (1)	620.019	-	316.376	-
Cash flow hedges (1)	1.581.488	1.041.440	2.579.191	311.976
Hedges for investments made in foreign countries	-	-	-	-
<b>Total</b>	<b>2.201.507</b>	<b>1.041.440</b>	<b>2.895.567</b>	<b>311.976</b>

(1) Explained in Note 10 of section 4.

**2.3. Information about banks and other financial institutions:****2.3.1. Information on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The CBRT borrowings	-	-	-	-
From domestic banks and institutions	631.727	202.486	463.632	284.559
From foreign banks, institutions and funds	112.035	37.334.191	11.503	37.350.848
<b>Total</b>	<b>743.762</b>	<b>37.536.677</b>	<b>475.135</b>	<b>37.635.407</b>

**2.3.2. Information on maturity structure of borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	736.277	7.297.496	475.135	7.743.474
Medium and long-term	7.485	30.239.181	-	29.891.933
<b>Total</b>	<b>743.762</b>	<b>37.536.677</b>	<b>475.135</b>	<b>37.635.407</b>

**2.3.3. Information on securitization borrowings:**

**2.3.3.1.** The Bank obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

	Current Period		Prior Period	
	TL	FC	TL	FC
From foreign banks	-	-	-	-
From foreign institutions	-	15.592.986	-	16.099.987
From foreign funds	-	-	-	-
<b>Total</b>	<b>-</b>	<b>15.592.986</b>	<b>-</b>	<b>16.099.987</b>

**2.3.3.2. Information on financial liabilities at fair value through profit or loss :**

The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of December 31, 2020, the total amount of financial liabilities classified as fair value through profit/loss is TL 12.887.831 (December 31, 2019 –TL 13.184.605) with an accrued interest income of TL 404.249 (December 31, 2019 - TL 245.152 income) and with a fair value difference of TL 134.032 recognized as an income (December 31, 2019 - TL 146.197 expense). On the other hand, the nominal amounts of the total return swaps and bond forwards which are closely related with these financial liabilities as of December 31, 2020 are TL 12.925.055 (December 31, 2019 - TL 13.132.747) for buy legs and sell legs with a fair value differences amounting to TL 386.416 liability (December 31, 2019 - TL 236.129 liability). The mentioned total return swaps have 8 year maturity in average.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### 2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	3.623.981	-	4.270.096	-
Bills <sup>(1)</sup>	1.610.481	15.282.960	1.642.095	14.791.500
<b>Total</b>	<b>5.234.462</b>	<b>15.282.960</b>	<b>5.912.191</b>	<b>14.791.500</b>

(1) Including mortgage backed securities amounting to TL 2.036.940 as of December 31, 2020 (December 31, 2019 – TL 2.023.673).

#### 2.4. Information on other liabilities:

As of December 31, 2020, other liabilities do not exceed 10% of the total balance sheet commitments.

#### 2.5. Information on lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	351.699	223.815	322.459	192.089
Between 1 – 4 years	767.760	488.598	667.427	397.632
More than 4 years	571.689	363.814	519.361	309.384
<b>Total</b>	<b>1.691.148</b>	<b>1.076.227</b>	<b>1.509.247</b>	<b>899.105</b>

#### 2.6. Information on provisions:

##### 2.6.1. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. "TAS – 19 Employee Rights" necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate (%)	4,63	4,67
Possibility of being eligible for retirement (%)	95,30	94,85

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 7.638,96 effective from January 1, 2021 (January 1, 2020 - full TL 6.730,15) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
<b>Prior period ending balance</b>	<b>520.383</b>	<b>450.207</b>
Changes during the period	85.654	78.663
Recognized in equity	125.833	66.003
Paid during the period	(96.463)	(74.490)
<b>Balance at the end of the period</b>	<b>635.407</b>	<b>520.383</b>

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 168.721 as of December 31, 2020 (December 31, 2019 - TL 232.727).

##### 2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2020, there is no provision related to the foreign currency difference of foreign currency indexed loans amounts. (December 31, 2019 – None). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

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#### 2.6.3. Other provisions:

	Current Period	Prior Period
Pension fund provision	1.461.542	1.178.063
Provisions on unindemnified non cash loans	715.217	772.000
Generic provisions on non cash loans	346.464	154.819
Provision on lawsuits	78.833	84.826
Provisions on credit cards and promotion campaigns related to banking services	64.697	59.768
Other	897.655	617.595
<b>Total</b>	<b>3.564.408</b>	<b>2.867.071</b>

#### Pension fund provision:

The Bank provided provision amounting to TL 1.461.542 (December 31, 2019 – TL 1.178.063) for the technical deficit based on the report prepared by an independent actuary company in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (Other operations charge/benefit)	283.479	256.713

#### The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	4.255.790	3.592.934
- Pension benefits transferable to SSI	4.564.310	3.763.200
- Post employment medical benefits transferable to SSI	(308.520)	(170.266)
Fair value of plan assets	(2.794.248)	(2.414.871)
<b>Provision for the actuarial deficit of the pension fund</b>	<b>1.461.542</b>	<b>1.178.063</b>

#### The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

**Mortality rate:** Average life expectation is defined according to CSO 1980 mortality table.

#### Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank placements	1.620.269	58	1.110.210	46
Government bonds and treasury bills	754.788	27	881.688	37
Premises and equipment	290.223	10	300.254	12
Other	128.968	5	122.719	5
<b>Total</b>	<b>2.794.248</b>	<b>100</b>	<b>2.414.871</b>	<b>100</b>

#### 2.7. Information on taxes payable:

##### 2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	1.434.478	273.354
Taxation of Marketable Securities	143.115	189.641
Property Tax	2.060	3.832
Banking Insurance Transaction Tax ("BITT")	168.561	217.744
Foreign Exchange Transaction Tax	11.005	6.999
Value Added Tax Payable	9.549	15.991
Other	86.211	71.345
<b>Total</b>	<b>1.854.979</b>	<b>778.906</b>

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#### 2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	25.358	23.031
Bank pension fund premiums – employer	35.101	31.892
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	1.811	1.645
Unemployment insurance – employer	3.624	3.291
Other	-	-
<b>Total</b>	<b>65.894</b>	<b>59.859</b>

#### 2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None (December 31, 2019 - None).

#### 2.9. Information on subordinated debt<sup>(1)</sup>:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Debt instruments to be included in additional capital calculation</b>	-	<b>5.066.291</b>	-	<b>4.098.336</b>
Subordinated loans	-	-	-	-
Subordinated debt	-	5.066.291	-	4.098.336
<b>Debt instruments to be included in contribution capital calculation</b>	<b>838.459</b>	<b>16.750.304</b>	<b>821.340</b>	<b>13.660.363</b>
Subordinated loans	-	6.305.871	-	5.102.941
Subordinated debt	838.459	10.444.433	821.340	8.557.422
<b>Total</b>	<b>838.459</b>	<b>21.816.595</b>	<b>821.340</b>	<b>17.758.699</b>

(1) Subordinated loans are explained in detail in Note "Details on Subordinated Liabilities" of section four.

#### 2.10. Information on shareholders' equity:

##### 2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	8.447.051
Preferred stock	-	-

##### 2.10.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	15.000.000

##### 2.10.3. Information on the share capital increases during the period and the sources:

None.(31 December 2019 – None).

##### 2.10.4. Information on transfers from capital reserves to capital during the current period:

None (December 31, 2019 - None).

##### 2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None (December 31, 2019 - None).

##### 2.10.6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk and legal limits.

##### 2.10.7. Privileges on the corporate stock:

None (December 31, 2019 - None).

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#### 2.10.8. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From investments in associates, subsidiaries, and joint ventures</b>	<b>753.923</b>	<b>4.410.468</b>	<b>754.765</b>	<b>2.929.470</b>
Revaluation difference <sup>(1)</sup>	753.923	436.694	754.765	436.694
Foreign currency difference <sup>(1)</sup>	-	3.973.774	-	2.492.776
<b>Financial assets at fair value through other comprehensive income</b>	<b>91.560</b>	<b>121.792</b>	<b>(119.249)</b>	<b>(27.693)</b>
Revaluation difference <sup>(2)</sup>	91.560	121.792	(119.249)	(27.693)
Foreign currency differences	-	-	-	-
<b>Total</b>	<b>845.483</b>	<b>4.532.260</b>	<b>635.516</b>	<b>2.901.777</b>

(1) Includes differences between historical cost basis and equity method of associates, subsidiaries and joint ventures.

(2) Includes tax effect related to foreign currency valuation differences in TL column.

### 3. Explanations and notes related to off-balance sheet accounts

#### 3.1. Information on off balance sheet commitments:

##### 3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	48.016.964	41.380.895
Asset purchase and sale commitments	14.537.665	7.749.623
Loan granting commitments	17.976.082	13.669.165
Commitments for cheques	3.437.866	3.389.714
Other irrevocable commitments	8.458.927	7.126.624
<b>Total</b>	<b>92.427.504</b>	<b>73.316.021</b>

##### 3.1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 346.464 (December 31, 2019 - TL 154.819) and specific provision amounting to TL 987.003 (December 31, 2019 - TL - 1.175.798) for non-cash loans which are not indemnified yet amounting to TL 715.217 (December 31, 2019 - TL 772.000).

##### 3.1.2.1. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	238.025	156.431
Letter of credits	9.011.522	12.343.860
Other guarantees and collaterals	9.982.292	7.912.920
<b>Total</b>	<b>19.231.839</b>	<b>20.413.211</b>

##### 3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.481.798	1.311.813
Definite letter of guarantees	46.120.693	41.605.115
Advance letter of guarantees	12.163.916	10.342.946
Letter of guarantees given to customs	3.478.997	2.945.128
Other letter of guarantees	17.750.038	13.496.504
<b>Total</b>	<b>81.995.442</b>	<b>69.701.506</b>

##### 3.1.3. Information on non-cash loans:

##### 3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	16.929.756	12.890.158
With original maturity of 1 year or less than 1 year	2.208.637	2.883.023
With original maturity of more than 1 year	14.721.119	10.007.135
Other non-cash loans	84.297.525	77.224.559
<b>Total</b>	<b>101.227.281</b>	<b>90.114.717</b>



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**3.1.3.2. Information on sectoral concentration of non-cash loans:**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>633.224</b>	<b>1,94</b>	<b>2.573.859</b>	<b>3,75</b>	<b>423.082</b>	<b>1,57</b>	<b>5.607.706</b>	<b>8,90</b>
Farming and raising livestock	446.408	1,37	2.058.711	3,00	280.232	1,04	5.101.009	8,09
Forestry	160.331	0,49	354.425	0,52	109.974	0,41	421.242	0,67
Fishing	26.485	0,08	160.723	0,23	32.876	0,12	85.455	0,14
<b>Manufacturing</b>	<b>16.624.112</b>	<b>51,06</b>	<b>37.410.427</b>	<b>54,48</b>	<b>13.465.937</b>	<b>49,82</b>	<b>31.386.707</b>	<b>49,74</b>
Mining	128.631	0,40	160.296	0,23	73.819	0,27	223.412	0,35
Production	13.176.556	40,47	31.335.726	45,64	10.188.987	37,70	25.817.574	40,92
Electric, gas and water	3.318.925	10,19	5.914.405	8,61	3.203.131	11,85	5.345.721	8,47
<b>Construction</b>	<b>6.741.414</b>	<b>20,70</b>	<b>14.100.118</b>	<b>20,53</b>	<b>5.975.921</b>	<b>22,11</b>	<b>13.671.278</b>	<b>21,67</b>
<b>Services</b>	<b>7.988.869</b>	<b>24,53</b>	<b>14.367.923</b>	<b>20,92</b>	<b>6.948.714</b>	<b>25,71</b>	<b>12.397.618</b>	<b>19,65</b>
Wholesale and retail trade	2.261.631	6,95	1.479.205	2,15	1.839.803	6,81	1.219.058	1,93
Hotel, food and beverage services	355.821	1,09	2.013.795	2,93	440.898	1,63	1.691.972	2,68
Transportation and telecommunication	1.093.527	3,36	3.665.560	5,34	786.159	2,91	3.446.468	5,46
Financial institutions	2.961.302	9,09	2.635.844	3,84	2.403.721	8,89	2.419.989	3,84
Real estate and leasing services	238.678	0,73	784.862	1,14	248.027	0,92	641.535	1,02
Self-employment services	-	-	-	-	-	-	-	-
Education services	53.880	0,17	60.144	0,09	134.826	0,50	50.924	0,08
Health and social services	1.024.030	3,14	3.728.513	5,43	1.095.280	4,05	2.927.672	4,64
<b>Other</b>	<b>575.128</b>	<b>1,77</b>	<b>212.207</b>	<b>0,32</b>	<b>210.112</b>	<b>0,79</b>	<b>27.642</b>	<b>0,04</b>
<b>Total</b>	<b>32.562.747</b>	<b>100,00</b>	<b>68.664.534</b>	<b>100,00</b>	<b>27.023.766</b>	<b>100,00</b>	<b>63.090.951</b>	<b>100,00</b>

**3.1.3.3. Information on sectoral concentration of non-cash loans:**

Current Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash loans</b>				
Letters of guarantee	29.549.971	47.737.581	2.188.891	1.558.968
Bank acceptances	-	238.025	-	-
Letters of credit	37.184	8.878.323	-	89.263
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	481.849	9.017.189	-	463.034
<b>Total</b>	<b>30.069.004</b>	<b>65.871.118</b>	<b>2.188.891</b>	<b>2.111.265</b>

Prior Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash loans</b>				
Letters of guarantee	24.245.978	36.310.029	2.299.149	5.687.909
Bank acceptances	-	155.433	-	998
Letters of credit	65.804	11.899.126	11.550	367.380
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	50.630	7.468.742	1.608	374.583
<b>Total</b>	<b>24.362.412</b>	<b>55.833.330</b>	<b>2.312.307</b>	<b>6.430.870</b>

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**3.1.3.4. Maturity distribution of non cash loans:**

<b>Current Period <sup>(1)</sup></b>	<b>Indefinite</b>	<b>Up to 1 year</b>	<b>1-5 years</b>	<b>Above 5 years</b>	<b>Total</b>
Letter of credit	-	5.949.376	2.854.544	207.602	9.011.522
Letter of guarantee	26.614.701	14.402.734	32.198.593	8.779.414	81.995.442
Bank acceptances	-	211.013	21.251	5.761	238.025
Other	943.147	1.510.816	1.096.233	6.432.096	9.982.292
<b>Total</b>	<b>27.557.848</b>	<b>22.073.939</b>	<b>36.170.621</b>	<b>15.424.873</b>	<b>101.227.281</b>

<b>Prior Period <sup>(1)</sup></b>	<b>Indefinite</b>	<b>Up to 1 year</b>	<b>1-5 years</b>	<b>Above 5 years</b>	<b>Total</b>
Letter of credit	-	9.338.548	2.791.953	213.359	12.343.860
Letter of guarantee	23.312.489	14.514.762	24.261.562	7.612.693	69.701.506
Bank acceptances	-	136.716	15.461	4.254	156.431
Other	726.396	988.338	642.044	5.556.142	7.912.920
<b>Total</b>	<b>24.038.885</b>	<b>24.978.364</b>	<b>27.711.020</b>	<b>13.386.448</b>	<b>90.114.717</b>

(1) The distribution is based on the original maturities.

**3.2. Information on derivative financial instruments:**

	<b>Current Period</b>	<b>Prior Period</b>
Types of trading transactions		
Foreign currency related derivative transactions (I)	157.142.456	197.424.447
FC trading forward transactions	16.091.168	25.736.673
Trading swap transactions	131.025.877	162.874.763
Futures transactions	414.267	398.407
Trading option transactions	9.611.144	8.414.604
Interest related derivative transactions (II)	147.553.561	118.898.558
Forward interest rate agreements	-	-
Interest rate swaps	142.948.898	115.222.156
Interest rate options	4.604.663	3.676.402
Interest rate futures	-	-
Other trading derivative transactions (III)	39.503.746	27.537.689
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>344.199.763</b>	<b>343.860.694</b>
Types of hedging derivative transactions		
Transactions for fair value hedge	3.341.689	3.411.980
Cash flow hedges	91.306.804	99.581.653
Transactions for foreign net investment hedge	-	-
<b>B. Total hedging related derivatives</b>	<b>94.648.493</b>	<b>102.993.633</b>
<b>Total derivative transactions (A+B)</b>	<b>438.848.256</b>	<b>446.854.327</b>

**3.3. Information on credit derivatives and risk exposures:**

The Bank has no credit default swaps in derivative portfolio for the period ended 31 December 2020. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2019 - None).

Derivative portfolio includes total return swaps for TL 25.050.110 (31 December 2019 – TL 25.465.494 ) for the period ended 31 December 2020.

**3.4. Information on contingent liabilities and assets:**

The Bank has recorded a provision of TL 78.833 (December 31, 2019 – TL 84.826) for litigation and has accounted for it in the accompanying financial statements under the “Other Provisions” account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

**3.5. Information on services in the name and account of others:**

The Bank’s activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

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#### 4. Explanations and notes related to income statement:

##### 4.1. Information on interest income:

##### 4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans <sup>(1)</sup>	5.125.867	597.064	8.144.431	376.531
Medium/long-term loans <sup>(1)</sup>	12.848.354	5.599.183	12.862.885	5.594.255
Interest on loans under follow-up	1.137.645	-	1.511.679	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>19.111.866</b>	<b>6.196.247</b>	<b>22.518.995</b>	<b>5.970.786</b>

(1) Includes fees and commissions received for cash loans.

##### 4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	1.963	-	47.252	-
From domestic banks	217.293	700	443.850	7.940
From foreign banks	75	224.765	1.699	399.700
Headquarters and branches abroad	-	-	-	-
<b>Total</b>	<b>219.331</b>	<b>225.465</b>	<b>492.801</b>	<b>407.640</b>

##### 4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets at fair value through profit or loss	6.626	7.620	7.894	4.405
From financial assets at fair value through other comprehensive income	2.775.325	223.744	2.890.569	218.300
From financial assets measured at amortised cost	3.316.303	779.904	1.834.292	440.486
<b>Total</b>	<b>6.098.254</b>	<b>1.011.268</b>	<b>4.732.755</b>	<b>663.191</b>

##### 4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	64.750	58.234
<b>Total</b>	<b>64.750</b>	<b>58.234</b>

##### 4.2. Information on interest expense:

##### 4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	51.653	1.308.515	50.559	1.446.932
The CBRT	-	-	-	-
Domestic banks	50.109	7.710	46.911	7.572
Foreign banks	1.544	1.300.805	3.648	1.439.360
Headquarters and branches abroad	-	-	-	-
Other institutions	-	679.195	-	745.064
<b>Total</b> <sup>(1)</sup>	<b>51.653</b>	<b>1.987.710</b>	<b>50.559</b>	<b>2.191.996</b>

(1) Includes fees and commissions related to borrowings.

##### 4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	36.021	60.964
<b>Total</b>	<b>36.021</b>	<b>60.964</b>

##### 4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	1.073.421	2.332.208	860.609	2.042.060
<b>Total</b>	<b>1.073.421</b>	<b>2.332.208</b>	<b>860.609</b>	<b>2.042.060</b>

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**4.2.4. Maturity structure of the interest expense on deposits:**

Account name	Time Deposit						Accumulating deposit	Total	Prior Period
	Demand Deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
<b>TL</b>									
Bank deposits	1.236	116.261	15.323	-	199	-	-	133.019	184.182
Saving deposits	-	908.882	3.604.986	69.794	47.546	45.157	114	4.676.479	8.453.882
Public sector deposits	-	544	929	39	15	46	-	1.573	1.757
Commercial deposits	-	1.012.068	1.608.635	20.529	46.351	9.786	-	2.697.369	3.596.416
Other deposits	-	26.610	238.151	21.591	71.347	28.695	-	386.394	865.141
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.236</b>	<b>2.064.365</b>	<b>5.468.024</b>	<b>111.953</b>	<b>165.458</b>	<b>83.684</b>	<b>114</b>	<b>7.894.834</b>	<b>13.101.378</b>
<b>FC</b>									
Foreign currency deposits	177	147.686	618.710	34.661	51.852	16.938	-	870.024	2.251.481
Bank deposits	7.285	24.614	298	-	-	-	-	32.197	23.641
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	1.469	1.170	1.086	2.483	867	-	7.075	6.285
<b>Total</b>	<b>7.462</b>	<b>173.769</b>	<b>620.178</b>	<b>35.747</b>	<b>54.335</b>	<b>17.805</b>	<b>-</b>	<b>909.296</b>	<b>2.281.407</b>
<b>Grand total</b>	<b>8.698</b>	<b>2.238.134</b>	<b>6.088.202</b>	<b>147.700</b>	<b>219.793</b>	<b>101.489</b>	<b>114</b>	<b>8.804.130</b>	<b>15.382.785</b>

**4.3. Information on dividend income:**

	Current Period	Prior Period
Financial assets at fair value through profit or loss	1.786	1.255
Financial assets at fair value through other comprehensive income	724	563
Other	506	7.492
<b>Total</b>	<b>3.016</b>	<b>9.310</b>

**4.4. Information on trading gain/loss (net):**

	Current Period	Prior Period
<b>Gain</b>	<b>77.262.608</b>	<b>82.648.302</b>
Gain from capital market transactions	487.701	332.295
Derivative financial transaction gains	26.423.294	31.980.907
Foreign exchange gains	50.351.613	50.335.100
<b>Loss (-)</b>	<b>77.005.798</b>	<b>84.533.181</b>
Loss from capital market transactions	79.113	60.633
Derivative financial transaction losses	24.734.977	32.886.294
Foreign exchange loss	52.191.708	51.586.254
<b>Net gain/loss</b>	<b>256.810</b>	<b>(1.884.879)</b>

**4.5. Allowance for expected credit losses and other provision expenses:**

	Current Period	Prior Period
<b>Allowance for expected credit losses</b>	<b>9.490.527</b>	<b>8.772.277</b>
12-month expected credit losses (Stage 1)	1.788.620	128.072
Significant increase in credit risk (Stage 2)	3.395.759	1.078.379
Credit-Impaired (Stage 3)	4.306.148	7.565.826
<b>Impairment provisions for financial assets</b>	<b>-</b>	<b>-</b>
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	-	-
<b>Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)</b>	<b>-</b>	<b>-</b>
Investments in associates	-	-
Subsidiaries	-	-
Jointly controlled partnerships (joint ventures)	-	-
<b>Other</b>	<b>463.611</b>	<b>40.975</b>
<b>Total</b>	<b>9.954.138</b>	<b>8.813.252</b>

**4.6. Information on derivatives financial transaction gain/loss:**

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 3.510.718 ( December 31, 2019 – TL 2.001.899 gain).

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**4.7. Information on other operating income:**

“Other Operating Income” in the Income Statement mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods.

**4.8. Information related to other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee termination benefits	-	4.173
Provision expense for pension fund	283.479	256.713
Impairment expenses of property and equipment	74	-
Depreciation expenses of property and equipment	508.421	456.813
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	177.828	140.661
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	2.731.050	2.274.172
IFRS 16 exempt lease expenses	68.891	63.643
Repair and maintenance expenses	136.444	134.906
Advertising expenses	148.402	122.197
Other expense	2.377.313	1.953.426
Loss on sales of assets	11	180
Other	1.147.357	962.322
<b>Total</b>	<b>4.848.220</b>	<b>4.095.034</b>

**4.9. Provision for taxes on income from continuing operations and discontinued operations:**

The profit before tax includes TL 16.976.801 (December 31, 2019 – TL 14.775.722) of net interest income, TL 5.246.814 (December 31, 2019 – TL 5.286.993) of net fees and commissions expenses, TL 3.576.234 personnel expenses (December 31, 2019 – TL 3.149.323) and other operating expenses amounting to TL 4.848.220 (December 31, 2019 - TL 4.095.034).

As of December 30, 2020, the Bank has no (December 31, 2019 – None) profit before tax from discontinued operations.

**4.10. Provision for taxes on income from continuing operations and discontinued operations:**

As of December 31, 2020, the Bank has TL 3.111.457 (December 31, 2019 - TL 1.623.617) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 1.639.000 (December 31, 2019 - TL 884.741 deferred tax income).

	<b>Current Period</b>	<b>Prior Period</b>
Profit before tax	6.551.975	4.338.936
Tax calculated at rate of 20%	1.441.435	954.566
Nondeductible expenses, discounts and other, net	31.022	(215.690)
<b>Total</b>	<b>1.472.457</b>	<b>738.876</b>

**4.11. Information on net income/loss for the period:**

**4.11.1.**The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank’s current period performance.

**4.11.2.**The effect of the change in an estimate of financial statement items to profit / loss is not likely to affect subsequent periods

**4.12. Other items in income statement:**

“Other fees and commissions received” in income statement mainly includes commissions and fees from credit cards and banking transactions.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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**5. Explanations and notes related to statement of changes in shareholders' equity**

**5.1. Information on dividends:**

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

**5.2. Information on increase/decrease amounts resulting from merger:**

None.

**5.3. Information on equity share premiums :**

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

**5.4. Explanations on property and equipment valuation differences:**

The Bank adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 " Property, Plant and Equipment". As of 31 December 2020, revaluation gain under shareholders' equity is amounting to TL 1.853.991 ( December 31, 2019 – TL 1.858.419 ).

**5.5. Explanations related to employee rights liabilities:**

Actuarial gains and losses in employee benefits provisions are accounted under equity. As of December 31, 2020 actuarial loss under shareholders' equity are amounting to TL 377.130 (December 31, 2019 – TL 269.552).

**5.6. Explanations on joint ventures accounted for using equity method:**

Associates, subsidiaries and joint ventures are being carried at equity method as defined in " TAS 28 - Investments in Associates and Joint Ventures" in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "Other accumulated comprehensive income that will not be reclassified in profit or loss" under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity, respectively.

**5.7. Explanations on financial assets at fair value through other comprehensive income:**

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity until the related assets are impaired or disposed.

**5.8. Hedging transactions :**

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2020 is TL 976.829 loss (December 31, 2019 – 1.462.792 loss).

The Bank's Euro denominated borrowing is designated as a hedge of the net investment in the Bank's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 20120 is EUR 471 million (31 December 2019 is EUR 452 million). The foreign exchange loss of TL 2.055.679 net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity (31 December 2019- TL 1.158.208 loss).

**5.9. Information on share issue premium:**

Other capital and profit reserves,in general, consist of legal reserves and extraordinary reserves.

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**6. Explanations and notes related to statement of cash flows:**

**6.1. Information on cash and cash equivalents:**

**6.1.1. Components of cash and cash equivalents and the accounting policy applied in their determination:**

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

**6.1.2. Effect of a change in the accounting policies:**

None.

**6.1.3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:**

**6.1.3.1. Cash and cash equivalents at the beginning of period:**

	Current Period	Prior Period
<b>Cash</b>	<b>39.376.992</b>	<b>35.514.148</b>
Cash and effectives	4.508.447	4.784.014
Demand deposits in banks	34.868.545	30.730.134
<b>Cash equivalents</b>	<b>20.898.604</b>	<b>7.307.599</b>
Interbank money market	10.700.000	112.773
Time deposits in banks	10.198.604	7.194.826
<b>Total cash and cash equivalents</b>	<b>60.275.596</b>	<b>42.821.747</b>

**6.1.3.2. Cash and cash equivalents at the end of the period:**

	Current Period	Prior Period
<b>Cash</b>	<b>39.029.018</b>	<b>39.376.992</b>
Cash and effectives	5.971.222	4.508.447
Demand deposits in banks	33.057.796	34.868.545
<b>Cash equivalents</b>	<b>6.160.864</b>	<b>20.898.604</b>
Interbank money market	1.700.000	10.700.000
Time deposits in banks	4.460.864	10.198.604
<b>Total cash and cash equivalents</b>	<b>45.189.882</b>	<b>60.275.596</b>

**6.2. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:**

As of 31 December 2020 the cash and cash equivalents those are not available for use due to legal limitations and other reasons including reserve requirements is amounting to TL 48.740.955 (December 31, 2019 – TL 37.202.727).

**6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:**

Increase in "Other Account" amounting to TL 546.201 as of December 31, 2020 (December 31, 2019 – TL 262.068 increase), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 1.204.820 as of December 31, 2020 (December 31, 2019 – TL 4.078.744 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 18.190.396 as of December 31, 2020 (December 31, 2019 – TL 4.200.943 increase).

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**7. Explanations and notes related to the Bank's risk group****7.1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:****7.1.1. Information on loans of the Bank's risk group:**

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Bank's risk group</b> <sup>(1)(2)</sup>						
Loans and other receivables						
Balance at the beginning of the period	288.721	94.447	801.666	1.199.169	2.559.620	3.147.488
Balance at the end of the period	1.245.321	301.506	883.127	898.824	5.231.297	2.078.697
<b>Interest and commission income received</b>	<b>64.750</b>	<b>1.421</b>	<b>20.481</b>	<b>9.377</b>	<b>443.292</b>	<b>13.859</b>
Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Bank's risk group</b> <sup>(1)(2)</sup>						
Loans and other receivables						
Balance at the beginning of the period	501.490	386.993	555.560	1.351.956	3.764.564	4.092.153
Balance at the end of the period	288.721	94.447	801.666	1.199.169	2.559.620	3.147.488
<b>Interest and commission income received</b>	<b>58.234</b>	<b>2.976</b>	<b>29.577</b>	<b>8.267</b>	<b>447.520</b>	<b>23.895</b>

(1) Defined in subsection 2 of the 49th article of the Banking Act No.5411.

(2) The information in table above includes marketable securities and due from banks as well as loans.

**7.1.2. Information on deposits of the Bank's risk group:**

Bank's risk group	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposit</b>						
Beginning of the period	756.246	2.798.132	29.776.134	32.464.212	22.505.574	21.548.350
End of the period	1.949.302	756.246	24.402.131	29.776.134	30.828.068	22.505.574
<b>Interest expense on deposit</b>	<b>36.021</b>	<b>60.964</b>	<b>1.060.342</b>	<b>2.379.592</b>	<b>976.413</b>	<b>1.357.147</b>

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes borrowings and repo transactions as well as deposits.

**7.1.3. Information on forward and option agreements and other derivative instruments with the Bank's risk group:**

Bank's risk group	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Transactions at fair value through profit or loss</b>						
Beginning of the period <sup>(2)</sup>	7.110.079	4.977.495	563.016	3.330.535	10.730.513	983.564
End of the period <sup>(2)</sup>	1.181.891	7.110.079	1.573.859	563.016	1.585.212	10.730.513
<b>Total profit / (loss) <sup>(3)</sup></b>	<b>193.598</b>	<b>669.963</b>	<b>(19.372)</b>	<b>(14.966)</b>	<b>(170.836)</b>	<b>58.698</b>
<b>Transactions for hedging purposes</b>						
Beginning of the period <sup>(2)</sup>	-	-	1.059.016	1.456.586	-	-
End of the period <sup>(2)</sup>	-	-	516.747	1.059.016	-	-
<b>Total profit / (loss)</b>	<b>-</b>	<b>-</b>	<b>16.747</b>	<b>9.016</b>	<b>-</b>	<b>-</b>

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

**7.1.4. Information regarding benefits provided to the Bank's top management (7.2 olmalı)**

Salaries and benefits paid to the Bank's top management amount to TL 78.335 as of December 31, 2020 (December 31, 2019 - TL 76.528).



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**8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:**

	Number	Number of Employees			
Domestic Branch	834	16.034			
			Country of incorporation		
Foreign Rep. Office	-	-	-		
				Total asset	Statutory share capital
Foreign Branch	1	3	Bahrain	12.092.652	-
Off-Shore Banking Region Branch	-	-	-	-	-

**9. Explanations and notes related to subsequent events:**

On January 22, 2021, the Bank issued fixed rate subordinated bonds (Tier 2) abroad with a 7.875% coupon rate and paying interest semi-annually, with a notional amount of USD 500 million, a maturity of January 22, 2031 and having an early redemption call option on January 22, 2026. In addition, it was resolved by the Bank's Board of Directors to redeem the subordinated bond on March 9, 2021 (Issuer Call Date), which was issued abroad on March 8, 2016, with a notional amount of USD 500 million, a maturity of March 9, 2026 and can be repaid in the fifth year.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

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**Section six - Other explanations**

**1. Other explanations on the Bank’s operations**

None

**Section Seven - Independent auditor’s report**

**1. Explanations on independent auditor’s report**

The unconsolidated financial statements for the period ended December 31, 2020 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor’s report dated, February 3, 2021 is presented preceding the unconsolidated financial statements.

**2. Explanations and notes prepared by independent auditor**

None.